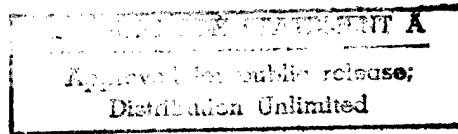


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# West Europe Report

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30 June 1983

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No. 2166

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SECURITY, DISARMAMENT COUNCIL ISSUES NEW PUBLICATION

Copenhagen BERLINGSKE TIDENDE in Danish 9 Jun 83 p 5

[Article by RB: "Security and Disarmament Council Predicts Progress in Disarmament Negotiations"]

[Text] The most noteworthy feature of the international community in 1982 was the tense relationship between the superpowers and the lack of progress in the disarmament negotiations, writes the chairmanship of the government's Security and Disarmament Council (SNU) in its second annual report.

The chairmanship, led by Ambassador Skjold Mellbin, perceived a certain mobility in the last months of the year, however, which could lead to progress in the area of disarmament.

The prediction seems to be confirmed by the recent statements from both the United States and the Soviet Union about hopes for a rapprochement and new initiatives in the Geneva negotiations.

The chairmanship enumerates three main problems for 1982 which are dealt with in special articles in the annual report: the global security problems, the international debt situation (especially the debts of underdeveloped countries) and the influence of the rich countries on remote crises--as exemplified by the Falklands conflict.

Furthermore the annual report contains a detailed review of Denmark's disarmament cooperation on the international scene.

The chairmanship writes that there is a tendency for more western countries (particularly in Europe) to look for a more independent status similar to the alliance-free countries. It is a direct effort to back away from the East-West confrontation, because many believe that the superpowers are not able to solve international problems.

The so-called bipolarity--a world divided up between the two superpowers--is being undermined in certain areas, it said. New economic power centers are continuously coming forward, for example Japan and Southeast Asia; the

developments in weapon technology can increase the military power of medium-sized countries in relation to the superpowers; and finally the superpowers' ability to intervene anywhere in the world is not so great as is often assumed.

In European politics, security policy--the missile issue--played a major role in 1982. New ideas came from the peace movement about defense changes, for example about abolishing first use of nuclear weapons and efforts to emphasize conventional weapons ahead of nuclear weapons in European defense.

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CSO: 3613/128

## SOCIALIST PARTY STANDS ON INF ISSUES DISCUSSED

Copenhagen ACTUELT in Danish 20 May 83 pp 8-9

[Article by Tage Albertsen: "The Lurching Waltz"]

[Text] When current historians soon begin to describe Danish parliamentary events of 1983, the Socialist People's Party's wooing of the Social Democratic Party of this spring will be of considerable interest.

It will be investigated with interest why Gert Petersen suddenly scented the morning air and spied a chance to take her party into the warmth as in the days of the so-called "red cabinet." What happened to awaken such hopes?

It was really due to a misunderstanding, which is simply very understandable. The Social Democrats' sudden and wandering shift of position in foreign and defense policy, which are parts of the same, was surely interpreted as signals to the Social Democratic Party voters who deserted to the Socialist People's Party [SF].

Entirely decisive for the Social Democrats' rebuff of SF wooing has undoubtedly been that Anker Jorgensen, who never permitted himself the luxury of having firm opinions--I am thinking of his swaying before the referendum of 1972--was very aware that his party would break apart if he gave in and conducted foreign policy according to SF's instructions. Because Social Democrats live continuously on a basic nucleus of politicians with solid voter coverage behind them, which is why Hans Hedtoft, H. C. Hansen and Rasmus Bording in their time deliberately turned the party away from a nonbinding neutrality policy. I am thinking for example of K. B. Andersen and of Robert Petersen, who have written the eminent book "Fra neutralitet til engagement" (From Neutrality to Commitment). They surely understand that Stauning once could say that Denmark will not be "an armed poorhouse." But they know another Denmark, which they believe is worth defending, and they can with justifiable pride note their party's clear share of the honor that each time, for example, that Denmark's dignity is placed at the judgment of international experts, the critical remarks always end with a clear

statement that confidence in us as a nation is very large. We are relied on, because we are a relatively homogeneous nation with a democratic parliamentary form of government, which makes us a respectable partner in cooperation. We are a people, and not an accidental collection.

These social democratic politicians, who for the time being are keeping a little too low profile, also know that this status is arrived at because their party had the courage to cooperate with the middle.

I believe that this remarkable cooperation with the middle is to a large extent strengthened and inspired by the fact that the parties since World War II have been mainly in agreement on foreign and defense policies. A unity which the Social Democrats have not been bought or pressed into. It is built entirely on our own experiences. Rather simply, we took the consequences when 9 April 1940 told us that the word "neutrality" is not a miracle word which exorcises malice in the world. And we also took the moral consequence of all Danes--except the Radicals--hoping very much that the English would not be satisfied to fight with "spiritual" and "cultural" weapons, for we knew that Hitler's blood orgy could only be stopped with armed force, however much we are against war.

It is to the credit of the Social Democrats that we took the consequences of that recognition, because, as said by K. B. Andersen in his book title, "Puslingelandet vagnene" (Little Country Awakened). So of course it does not mean so much that SF fortunately has forgotten that when the Home Guard was baptised in Odense, the day's highlight was an enthusiastic and warm congratulatory telegram from SF's later founder Aksel Larsen.

The Social Democrats' dilemma today is not that the party has two wings. The problem is that the party's middle and leadership have become remarkably and entirely without principle. The shift of voters seems to have lamed the good forces, and that is too bad for us all, for this society can not function over the long term without the great party's active participation in foreign policy.

As a little nation without economic or military might it is entirely decisive for the weight of our argument that we appear as a unit to those abroad, which consists of both friends and enemies. This requires wisdom and tact of those who have the governing power, and it demands will to cooperate of the opposition.

Certainly it is reasonable that an opposition period be used to seek to distinguish the party profile, which a minority government can easily blur. But it is unreasonable and useless to use foreign policy in this cosmetic effort, and here I am thinking of the plots which were directed against the government and the party's own previous policy. Possibly we are here talking about what Anker Jorgensen usually calls "adjustments."



The concern which began in the Market Committee around trade sanctions against the Soviet Union ended as is known with the Social Democrats arm in arm with SF and the Glistrup wing, forcing the sanctions to be discontinued, which we ourselves noted as a defeat for the foreign minister. That the moral defeat on this issue lies in another place entirely is not nearly as interesting as the fact that the next day the Social Democratic Party was so "accomodating" as to say that our previous partner's blockade could become effective if we guaranteed to prevent transit through our country of the mentioned group of goods.

It was claimed time after time during the debate by the foreign minister that the point of the issue was to mark Denmark's attitude toward suppression of the union "Solidarity." But nobody, including the foreign minister, believed that Denmark's input could bring the Soviet Union to its knees economically.

But why protest so? To what purpose?

Each time the admirable leaders of "Amnesty International" are asked if protests from the free countries make an impression on the regimes in the countries where torture is practiced, they answered yes without hesitation, and added that they still are very sensitive to that criticism.

It was typical that the Social Democratic Party put through the mentioned initiative despite the Danish LO [Federation of Trade Unions] clearly saying that the situation in Poland has not improved since the Social Democrats on the government level agreed to fix sanctions, but clearly is much worse.

Something was added to the above which is much more alarming. When Lasse Budtz was asked directly on TV, he answered that he finds it reasonable that his party, as the largest in the Folketing, decides the country's foreign policy, he exceeded the boundary for all political propriety.

Probably Lasse Budtz has not noticed that Uffe Ellemann is at present foreign minister, and the reason is that L. B.'s party gave up governing.

But he should be informed by his party colleagues, who have the good intentions and shrewdness to undertake the role which in England is called "Her Majesty's Loyal Opposition," by means of which one stands by his obligation that the country can be governed, and that one shows respect for the country's officeholders. Because one can either like people or not, it is the government which represents the country, and it can never be a worthy task to weaken one's own country's foreign minister in his relationship with foreign countries. The country must of course be governed.

That the same Lasse Budtz arranges comradely party meetings with Yassir Arafat is in itself harmless and probably legitimate. It does not mean

anything that he is able to interpret the PLO leader's cryptic words as an expression of a desire for peace. With a little good will Arafat's war-cry from Damascus can also be deciphered as a peaceful gesture. What does it matter then, that in the swarm of peace doves there appears an individual social democratic peace hen, who certainly can cackle but not lay an egg. We should simply not assume that L. B. is Henry Kissinger in disguise.

On the other hand it does mean something that Social Democrats, without the approval of the foreign minister, invited Yassir Arafat to visit Copenhagen, and thereby can force the foreign minister to a meeting with the PLO leader which he does not want. It is simply not fair, and not worthy of the great party.

May 1st was, as usual, the party leader's day, and it was tempting to describe his speech in Faelled Park with a light paraphrase of a German proverb: A little squealing, but masses of good wool. For who is not against nuclear war and the submarines, which Ritt Bjerregaard does not believe are in the Swedish archipelago?

About the same time we received notice that the party visit to Moscow was temporarily postponed, but not cancelled, as a result of the archipelago affairs. The decision must have caused discussion in the party leadership, because the party's anchor man, Lasse Budtz, said in a radio interview early in the day that he wanted the visit to be carried out because he thought that the conversations should take place in just such a tense situation.

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PAPER: GOVERNMENT PUT IN BIND OVER EUROMISSILES BY SDP

Copenhagen BERLINGSKE TIDENDE in Danish 3 Jun 83 p 12

[Editorial: "Its Own Canoe"]

[Text] The final debate ended without a Folketing election, which many talked about but none wanted. The election is a hypothesis. Nonetheless it is an interesting idea to consider what it would have meant for the Social Democratic Party if through an election it got the opportunity to return to government power, which of its own will it renounced in September of last year, and which many Social Democrats doubtless would be delighted to have back, and the sooner the better.

What would Anker Jorgensen as prime minister do to his government program in the foreign and security policy areas? On repeated occasions since the change of government his party has proclaimed a policy which in concrete terms has forced the government parties to recognize resolutions which not only are impossible for a government which will represent Denmark with other countries, but are also a significant break in the unity which has existed between the parties which represent a broad majority in the Folketing. The latest debate on the NATO missile program was a new glaring example, which only an almost incomprehensible tolerance and doubtful interpretation could get a government to affiliate itself with.

If Anker Jorgensen became prime minister again, he would necessarily build his foreign policy program on the majority he himself has created as opposition leader. He would have to adopt the viewpoints which he has supported in the Folketing, and would consequently reject the four current governing parties' viewpoints. He would thereby once and for all have moved foreign policy from the so-called old parties majority to a majority which is built on the Radical Liberals, People's Socialists and Left-Socialists. He would thereby have chosen a majority which in the thirties ran the country's foreign policy, and which founded the defense policy which led to the occupation of 9 April.

With such a program the returned prime minister, his foreign minister and his defense minister would have to travel out in the world. With this

program he would have to represent Denmark before NATO and the European partners. It is a program which does not formally threaten the Atlantic Pact, but which in fact would lead to such a threat. The present government has had to recognize that from the reactions which it has met in NATO. It does not blame Defense Minister Hans Engell that he was not prepared to convince either the Americans or anyone else that they should take his explanation as gospel. It is a hopeless task, because a majority in the Folketing wants a break with NATO policies, which the current government is trying to avoid.

A Social Democratic Government would have to notify the allies that Danish policy is expressed by resolutions which in reality break with the Atlantic Alliance. And it should in that case not come as a surprise to the public if NATO draws the conclusion that Denmark would therefore prefer to withdraw from the alliance. So let it paddle its own canoe.

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CSO: 3613/128

## SOCIALISTS WOULD USE FOREIGN POLICY BOARD IN MISSILE FIGHT

Copenhagen BERLINGSKE TIDENDE in Danish 9 Jun 83 p 8

[Editorial: "Misuse of the Board"]

[Text] The meeting which took place yesterday in the Foreign Policy Board was in its content innocent, but in its consequences far-reaching. Once more there was the occasion to repeat the difference between understanding and arguments which exist between the government and the opposition when they are talking about Danish security policy in general and negotiating strategy in the current missile question in particular. It could take place on an innocent plane because the differences are well known, even though they are unfortunate. For that matter there is no damage in mentioning it, and thereby confirming it. Not even if the mention and the confirmation happened in the Foreign Policy Board.

The far-reaching consequences are therefore not in relation to the actual progress of the meeting in Paris between NATO foreign ministers. A footnote will--to the extent that it is possible--explain the Danish viewpoint, as a majority in the Folketing has shaped it. It would be unpleasant to be the Danish foreign minister in such a situation, but the defense minister has shown the path that can be followed. The far-reaching consequences can be seen only in the circumstance that the Social Democrats have taken the step of calling the Foreign Policy Board to an urgent meeting on the issue.

The Foreign Policy Board came into the world in its time because the parliament then felt that it had too little influence on--and knowledge of--foreign policy management. Therefore the board was set up as a place where representatives of the parties could meet with the minister or ministers who look after foreign policy matters. From its establishment the board was fenced in by a number of extraordinary provisions. First and foremost was that the meetings' contents were confidential.

When the Foreign Policy Board in 1953 received its independent status in the Constitution, it was a matter of course that the work on the board would con-

tinue to take place behind closed doors with oaths of secrecy for the members. Nobody has raised doubts about the suitability of such a requirement. It would also be difficult, because it says in the Constitution--now as before--that it is the government which conducts the nation's foreign policy. No government would be able to live up to these conditions and at the same time live up to its obligation to orient the Foreign Policy Board about the main lines of Danish foreign policy unless the orientation could take place in complete confidentiality.

The conflict between the government and the Social Democratic Party over Danish security policy has gone into the board meeting with full publicity. This has been one of the few extenuating circumstances. Therefore the Social Democrats could well have spared the political climate the awkward circumstance that there can now arise discussions about what was done or said in the Foreign Policy Board.

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## MICHAEL PLUNKETT ON GIGN ARREST PROCEDURES, IRSP

Paris LIBERATION in French 24 May 83 pp 15,16

[Interview with Michael Plunkett, founding member of the IRSP, by Beatrice Vallaeys, 23 May, place not given]

[Text] Free on parole, Stephen King, Michael Plunkett, and Mary Reid walked out of their separate prisons Friday afternoon, after 9 months of detention. Michael Plunkett gives us his version of what happened.

LIBERATION: Can you tell us the circumstances of your arrest?

Michael Plunkett: The first of us to be arrested was Stephen King. Then it was my turn, and Mary Reid was the last one taken. Stephen was leaving the apartment on 28 August of last year, on his way to run some errands he had. It was around 1730 hours. On his way downstairs, he was stopped by men in civilian clothes who spoke German, and carried pistols. They immediately handcuffed him, then led him into one of the rooms in the apartment. There they made him lie face down on the floor, and pulled his teeshirt up over his head to blindfold him, and gagged him. As he lay there, they put objects into his hands and pressed his fingers onto them. Stephen King could see nothing, but he knew they were taking his fingerprints.

LIBERATION: And you? You got there some time later?

Plunkett: About 20 minutes later. I had left the apartment around 1430 hours with Kathal (age 10), Mary Reid's daughter. I was supposed to meet her at Beaubourg. At the time, I was on my way to the Metro, when I realized that I was being followed. I told myself I was getting paranoid. That afternoon I left Mary and the child, and went back to the apartment to prepare dinner. I had bought things for supper, and was carrying them in a box. As I approached the building, I got the impression that something peculiar was going on. For one thing, I spotted three men wearing winter ski jackets, although it was the middle of August.

They were hanging about, some 40 meters away from the building. At that point I was of two minds about going in, but I decided to do it for Stephen and Mary. I didn't have the key to the apartment. When I got to the door, it suddenly opened and two men armed with revolvers jumped me.

LIBERATION: Were they also speaking German?

Plunkett: I had been arrested by armed men before: such things are common in Ireland. I thought right then that I was going to die. Especially since one of the two men holding me had a gun about 25 centimeters from my head, and he was shaking horribly. I was very much afraid. I knew that I had a pistol in the apartment, for which I was entirely responsible. Mary and Stephen had nothing at all to do with it.

I was dragged into the apartment, where I was blindfolded and my hands were bound with electric wire, and that reminded me a bit of the fascist commandos in Northern Ireland.

They spoke in German at all times, and gave me a number of hard kicks. That's when I asked them if they spoke English. They replied, in English, that they were members of the SAS (British anti-terrorist service). I spotted a French or European accent in their English.

LIBERATION: You still didn't know that these men were police?

Plunkett: No. I was sure it was all over for me. Just then, I heard people moving about, comings and goings. One of them said that the concierge had just called the police. That's when they took off the blindfold, untied my wrists, and put on the handcuffs.

When the police got to the apartment there was total confusion. They didn't know what to do with me. They would take me out, then bring me back into the apartment. I had the very strong impression that there was a jurisdictional problem between them, that their orders were conflicting. They were listening to a walkie-talkie.

After some time, they took us down into the street. Stephen was still wearing his teeshirt pulled over his head. Obviously they had waited until there was nobody in the street. They bundled us into a car and took us to Fort Vincennes.

LIBERATION: They didn't make you hold things in your hands?

Plunkett: But -- I forgot to tell you that when I was dragged into the apartment, when I got there, I exchanged a few words



with Stephen. He had just time to tell me that this was "a put-up job, a provocation."

LIBERATION: What did you find at Fort Vincennes?

Plunkett: GIGN men in uniform. They had taken my trousers, and were probing into every seam. Me, I was standing, facing the wall. Then they took me to a room in the basement.

LIBERATION: What time was that?

Plunkett: About 1900 hours. I was waiting to be interrogated. I was afraid I would be beaten. I was trying to steel myself for that. A policeman came in and asked me my name. I didn't know whether to give the name on my passport or my own. In Ireland, though, we've got a rule: you don't talk except before a judge and with a lawyer present. I kept repeating that to them the whole time I was there.

About 2100 hours, Major Beau (commandant of the gendarmes' investigative section in Paris. Small fry; Ed.) He's a type of man I know well, a man for whom everything hinges on military orders. I had not seen him in the apartment. He wanted to know what my name was. I repeated what I had already said. He was very arrogant, very full of himself. Finally, he tricked me with a newspaper clipping, and I admitted that my name was Mick Plunkett.

Later on, they showed me documents and asked me to sign them. They had to do with plastic [explosives], with 9-mm pistols, and a cartridge clip. I refused to sign. At about 0600, the major questioned me again. He told me I was a very dangerous man, an expert on explosives, that I had a bomb in the apartment, that I was planning an attack in France. Then he showed me the weapons and explosives he said he had found at my house. He handed me a pistol, telling me to take it. I refused. And I denied the whole thing. I admitted only to owning a pistol.

LIBERATION: On Sunday evening, they turned you over to the judicial police?

Plunkett: Yes. Until Monday night, we stayed in the Quai des Orfèvres. From there, they took us to Creteil, before Judge Person. In his chambers, I made a two-page statement, telling everything that I have just told you. After that, they took us to prison. I was taken to the Santé, Stephen to Fresnes, and Mary to Fleury-Mérogis.

LIBERATION: How long had you had that apartment in Vincennes?

Plunkett: About  $2\frac{1}{2}$  years.

LIBERATION: Did you know that you had been under surveillance the whole time by the French police?

Plunkett: No. I don't think I was followed. But if I was, they must have reached the conclusion that I was doing nothing illegal. Even so, I am quite sure that since the month of May the French police knew I was here.

LIBERATION: And why should the French police be interested in you?

Plunkett: That's the doing of the British intelligence services. I am certain that the French police had a dossier on me. In fact I'm sure it was one of those files you see everywhere in Ireland: a bunch of allegations, of groundless charges, without a scrap of proof. It's what we call "black propaganda."

LIBERATION: Are you all militant republicans?

Plunkett: All three of us belong to the Irish Republican Socialist Party (IRSP). Not to its military organization, the INLA. As for myself, I have been a political activist since I was 18, and I was a founding member of the IRSP. I was its third president. Both my predecessors were murdered by the British services.

LIBERATION: Can you tell us something about the IRSP?

Plunkett: It is a legal political organization that has been forced to defend itself against terrible government repression. For 10 years, they have been trying to destroy the IRSP. But ours is an organization with roots all over Ireland. Its program is actually quite clear: we are both republican and socialists, and that is what sets us apart from the provisional IRA.

LIBERATION: What were your reasons for coming to France?

Plunkett: I had been arrested in connection with a big holdup, for which the IRA later claimed responsibility. But that gave them a pretext for going after the IRSP; more than 60 people were rounded up, including the entire Dublin central committee. As for me, I was eventually acquitted. But then, a few months after that, they arrested me again on charges of involvement in an attack. I was released on bond, but I had no desire to appear again before the special tribunal for the war on Republicans, so I decided to come to France.

There was a lot of talk at the time about H block [one of the cellblocks at Long Kesh prison outside Belfast, where Republican militants are held; ten or so of them followed Bobby Sands']

example and went on a hunger strike to the death.], and I hoped that would break the deadlock in Ireland. I had nothing special to do in France, but I kept in touch with my friends in the IRSP.

LIBERATION: How did you live?

Plunkett: From hand to mouth. I had some friends who helped me financially, Stephen was living in Holland, and Mary would come to see me.

LIBERATION: What did you think of our French prisons?

Plunkett: As I see it, they reflect the government's attitude. For 2½ months, we lived under the very same conditions as you find in maximum security prisons (QHS). We were totally isolated, without ever seeing another prisoner, without hearing anybody around us utter a single word. The exercise area, where you went alone, consisted of a caged-in space of 100 meters. The mail would get lost, or would arrive several weeks late. That's why I went on a week-long hunger strike, to call attention to conditions there.

LIBERATION: What do you think was behind the GIGN operation? And what do you think of your attorneys' position in calling for a parliamentary investigating commission?

Plunkett: I am certain that we are pawns in some French scenario. Three Irish Republicans caught up in the middle of a French scandal. That's why I think a parliamentary investigation is imperative.

In our traditional Irish songs, France is always referred to as the land of liberty, the land of the revolution. And the Irish people have a very romantic view of the French people. Experience has shown us that France is still the birthplace of the rights of man. For these past 9 months, people have fought to protect our innocence. We owe them a debt. We were convinced that high French officials knew that we were not terrorists, but, merely because they had to save face, we stayed in prison. This is why there must be a parliamentary investigating commission.

6182

CSO: 3519/524

GIGN ROLE; ERRORS IN ARREST OF IRISH TERRORISTS

## Procedural, Due Process Errors

Paris LIBERATION in French 24 May 83 p 14

[Article by Beatrice Vallaeys: "How the Police, Courts, and Government Covered up the "Spillover"]

[Text] Gendarme Caudan's revelations do little more, really, than to confirm the conflicts and irregularities which emerged in statements from the gendarmes on the morning after the three Irish nationals were arrested. Not once, over the 8 months that have transpired since that day, have the courts lifted a finger. Quite the contrary...

"I think that, in very short order, some very high officials were informed of the breaches of procedure committed by the GIGN officers who arrested us." That is what one of the three Irish Republicans arrested in Vincennes, Michael Plunkett, thinks. And his sentiments are shared by everyone who has had occasion to look into this case during the past 9 months. None of them has ever understood why nobody in government had ever voiced the slightest reservation until last Friday, when the courts finally ordered the immediate release of all three suspects (LIBERATION, 21-22-23 May).

Even so, there is no pretending that the case attracted no notice. The press, from the outset, had refused to be dazzled by what the GIGN called its "spectacular coup." To a man, the press corps dismissed the communiqué drafted by the Elysée and released the morning after the operation, which painted the three suspects as big-league international terrorists plotting to commit an outrage on French soil. The communiqué was prepared under the eyes of the Elysée duty officer that Sunday 29 August 1982: Jean-Louis Bianco, general secretary to the President's Office. At the time, he was in contact with the GIGN's commandant, Maj Christian Prouteau. Prouteau, who had not taken part in the previous day's operation,

but he had been briefed by his second-in-command, Capt Barril, who had run the whole show in Vincennes.

At this point, and in view of the political context, the decision to "go public" is readily understandable: that summer, Paris had been the scene of several murderous terrorist attacks. Ten days earlier, Francois Mitterrand had announced a whole string of measures designed "to remedy our security shortcomings and fight terrorism." Among those measures was establishment of a secretariat of state to deal with the problem, under the leadership of Joseph Franceschi.

Another, though, was the assignment of a new mission to Maj Prouteau, who was already responsible for security at the presidential palace: the commandant of Gendarmes was suddenly put in charge of all anti-terrorist coordination, intelligence, and action. That made him "Mr Anti-Terrorism," and hence a man who, on that 29 August, had every reason to get himself and his elite troops some good publicity.

The support he got at the time from Jean-Louis Bianco stirred more protest: The Elysée communiqué fed the flames of rivalry between the gendarmes and the police. Never mind all that. The Elysée insisted on publicizing the coup, and the President's Office turned a deaf ear to the many unfavorable reactions.

The followup on this case, though, is a lot harder to explain. Especially the behavior of the courts, which were apprised of it on 30 August.

The first months of the prosecutorial investigation very quickly brought to light some curious contradictions. There were suspicious, or at least curious anomalies in the gendarmes' reports to the crime squad. As the individual gendarmes appeared to testify before the prosecutor, their statements became increasingly contradictory.

All these were matters that should, theoretically, have set off loud alarm bells in the ear of the man running the inquiry. But no. Every plea for release filed by the attorneys for the three Irish citizens, granted, in Mary Reid's case, by prosecutor Alain Verleen, was turned down by the court. Just as systematically, the appeal to the magistrate was consigned to the same fate.

The attorneys then resolved to file a plea to set aside the court finding. That was a plea the prosecutor must have considered serious enough, since he very swiftly sent it to the full court. The plea for reversal was based on the numerous irregularities that were found in the clearly unlawful behavior of the gendarmes on that 28 August. The chairman of the juridical commission of the Human Rights League put it this way: "The conditions under which these three Irish citizens were arrested constitute direct violations of the procedural provisions of the criminal code."

Contrary to all expectations, however, the full court did not share this point of view. Not only did it flatly reject the plea for reversal: it dismissed all the defense arguments in terms unprecedented for sanctimonious hypocrisy. It mattered little, for example, to the magistrates of the criminal investigating section that the photographs of the weapons and the explosive the gendarmes claimed to have found in the apartment were missing from the dossier. There was worse to come. To justify the fact that the apartment had been searched without the gendarmes' having bothered to get an "official" search warrant (which of itself would have justified setting aside the decision), the magistrates created a whole new concept in law: the preliminary search, called "security search, which is not to be confused with any subsequent search."

All this was recounted over and over publicly by the defense attorneys who, as a last desperate resort, turned to public opinion. All the Justice Minister had to do was to read the papers, and make some changes in the attitude of his court.

And yet, it took 9 months for the government, finally, to make up its mind to intervene. Without those "revelations" from Gendarme Caudan, Stephen King, Michael Plunkett, and Mary Reid would no doubt be in prison to this day. Those "revelations," however, amounted in fact to little more than confirmation.

That confirmation was so overwhelming that this time it was deemed appropriate to put an end to the "judicial-police spillover" without further delay. Instead of waiting the 5 days stipulated in the criminal code for pleas for release, it was decided to free the three Irish citizens the next day. That decision, they say, was reached in high places. The "high place" was a meeting last Friday afternoon between one of Francois Mitterrand's cabinet members, Justice Minister Robert Badinter, and his public prosecutor, Pierre Arpaillange.

#### Commentary on GIGN

Paris LIBERATION in French 24 May 83 p 14

[Editorial by Gilles Millet]

[Text] The case is closed. The national gendarmerie's arrest of three Irish activists and the government's reaction to it have become a full-fledged scandal, a scandal to match the de Broglie debacle. A scandal to match the the behavior of the police and the courts in the aftermath of the de Broglie business. The fact is that, as happened in the de Broglie case, the representatives of the law did not behave with the uprightness and honesty we have a right to expect of them. They made mistakes. In the earlier case, they allowed de Broglie to be murdered, although they knew his life was in danger. In this latest case, they arrested terrorists who turn out not to have been terrorists at all. In both instances they tried to smooth things over. The first bunch

tried by purposely forgetting to report that they had been aware of the plan to kill de Broglie. The second lot did it by "reconstructing" the facts and by inflating the importance of their captives.

Each time, the government went along. During the de Broglie business, the Interior Minister covered for the police by failing to make their mistake public and by releasing an official police and court report which turned out to be partially false. After the Vincennes arrests, the Elysée displayed astonishing firmness in backing the gendarmes' version; the Interior and Defense Ministers drove home the message, even when they knew that it was a tissue of lies.

Then there was the investigation. During the de Broglie affair, the police, judicial, and government authorities stone-walled it until the scandal broke. They did the same thing after the arrest of the three Irish citizens, who were held in prison, come hell or high water, despite an investigation that very quickly proved the initial assumptions erroneous.

And now, something in the manner of the additional information released after the de Broglie scandal broke, the government, via its Defense Minister, Charles Hernu, has let it be known that it is awaiting the findings of the police inquiry. As of now, the court, and hence the Justice Ministry, has made an abrupt about-face and agreed to free the non-terrorists. Mr Hernu seems to have forgotten in a remarkably short time what he was still saying only days ago, when he told us that the Irish were not "small fry," and that the case was "more important than we thought." As for the court, it has just as quickly forgotten that it has hitherto opposed any suggestion of freeing any of the prisoners.

And so, as in the de Broglie affair, we see again the intimate bonds of complicity between the government and its police, but we cannot tell exactly which of the partners in this "liaison dangereuse" has the upper hand.

In this area, the socialists hardly displayed more inventiveness than their predecessors, with new ideas filtered through profit and loss considerations. Forgotten now is "the police glass house." Forgotten "civilian" control of the machinery of repression. Of course, some faces have changed, some services have been reorganized, and the forces of law and order are no longer routinely shielded in cases of "spillovers" or abuses of power. For all this, the repressive machines remain what they have always been: machines which are often efficacious, but with a bothersome tendency to get carried away. Uncontrolled.

Most important, while they have a monopoly on familiarity with the terrain, they have the power to observe delinquency, criminality, and terrorism through magnifying glasses which by overuse,

have turned into bottle-glass. Here they mistake a forlorn sliver of a splinter group for instruments of international terrorism. There they take a handful of ex-radicals for a future commando group. At Vincennes, they saw three members of a defeated party and called them super-terrorists.

All this happened because it is hard to use proper police procedures in fighting international groups that cannot be dealt with "diplomatically" by negotiating with the countries that support them.

Even so, you have to give the impression that you're "working." That you're "doing something" about terrorists. It's all a matter of proving that you're not just sitting on your hands. This dangerous game is profitable to all concerned: to the police, to the gendarmes, and to their employers.

This is hardly a new song. Right-wing governments know the words and the music by heart. The Left is still learning them. Its laudable guilty conscience makes it look clumsy and inept, and the Right would have come out of this kind of mess with considerably more Machiavellian aplomb. There would have been talk of authoritarianism and of assaults on freedom and democracy, but the state would have embodied, right up to the bitter end, that stern bad faith a lot of people expected of it...

That leaves the truth. A group of super-gendarmes, newly entrusted with the highest responsibility, which has just demonstrated that it is not worthy of that trust. That it is hard to let them act without control. Who keeps an eye on the GIGN? Defense Minister Hernu? He is clearly not capable of it. This playing with fire must stop.

Caudan Testimony Confirmed

Paris LIBERATION in French 24 May 83 p 16

(W1)

[Unsigned article]

[Text] As other witnesses come forward to confirm Pierre Caudan's testimony, Defense Minister Hernu let it be understood that the accused cannot take refuge behind a plea of "Defense secrets" to trifle with justice.

An oath, through clenched teeth: "The abcess of the 'Vincennes Irish' will be lanced, and the gendarmes implicated in this affair will be punished." That is the Elysée's promise, delivered by Defense Minister Charles Hernu in the wake of the irregularities revealed in the procedures followed by some participants in the arrest and search operations of 28 August 1981.

In a communiqué released on Saturday, Hernu first indicated that he was following "the process of the current inquiry with the closest attention," and that he had no intention of "interfering in a judiciary proceeding," though he did say he "would draw all



proper conclusions from the court decisions when they are handed down." Meanwhile, an internal investigation has been opened in the Gendarmerie. On Sunday, M Hernu had more to say about it at Solutré (Saône et Loire), where he was participating in the annual Mitterrand parade: "Should the judge's conclusion or deduction impugn the honor of this or that member of the Gendarmerie, the Defense Minister will of course impose suitable punishments," he said, with the implicit assurance that the "super-gendarmes" could not take cover behind "Defense secrets" to thwart the law.

These ministerial assurances in fact seem to reflect the magnitude of the debacle in which Captain Barril's men have entangled themselves. In addition to the testimony of ex-Gendarme Pierre Caudan, Examining Magistrate Alain Verleen has a new witness for the prosecution in Michel Lemonnier, attached to the investigation section of the Gendarme company at Vincelles (Val de Marne). M Lemonnier appears to have confirmed, point by point, all of M Caudan's testimony. There is keen interest now in the impending appearance of Captain Barril, who personally directed the operations. The chief of the GIGN is not in good shape right now: he was seriously wounded in training exercises 4 days ago, as he was running the obstacle course. The top Gendarme, who fell from a height of 6 meters, landing on his back, suffered a fracture of the spine and is said to be partially paralyzed in the right leg.

Another promising encounter is the one the judge will have with Commissioner Charles Pellegrini, in charge of liaison between the DGSE (espionage) and the Interior Ministry, this policeman was in fact on the scene at Vincennes when the three Irish citizens were arrested. According to ex-Gendarme Caudan, the commissioner told the Gendarmes as he was leaving, "You haven't seen me. I'm on vacation." Pellegrini is the former "boss" of the Central Office for the Repression of Banditry (OCRB).

The defense attorneys, for their part, plan to request a parliamentary inquiry into the whole business. Just like De Broglie...

#### Mitterrand Interest

Paris LIBERATION in French 24 May 83 p 16

[Article by Pierre Mangetout]

[Text] Two explanations for the irresistible rise of the "Super-Gendarmes": the socialist government's mistrust of its police, and the personal clout of Charles Hernu.

They had nerves of steel, biceps of bronze, and an unbeatable air of efficiency. They were the best-looking, the strongest, and even the most republican. When Commandant Prouteau and his GIGN (National Gendarmerie Intervention Group) were suddenly propelled

into the very heart of the new anti-terrorism structure Mitterrand put together in August 1982, that brilliant promotion merely put the official stamp on the wide-screen romance between the Elysée and its élite Gendarmes. And while love is proverbially blind, this was a case of total blindness.

The Elysée's confidence in the GIGN was proportionate to the executive branch's deep distrust of its police force. There were smarting recollections of the various dirty tricks the police had pulled on the socialist candidate while he was in the opposition. And there was the trickle -- now a torrent -- of malicious leaks from the police that had proved impossible to dam since 10 May. Besides, the police had an atavistic loathing of "change." From this point of view, the irresistible rise of the Elysée's super-gendarmes was at first an admission of defeat. After a few timid attempts at reform, Gaston Defferre quickly gave up. Hitting on the notion that he could bring the hierarchy round by a little sweet-talk (cf. identity control), he let himself be taken in like one of your pale, fanatical gamblers who do their best to put on a poker-face while they are sizing up the enemy. Given these conditions, Prouteau looked like just what the doctor ordered. The GIGN, with the boy-scout style and reassuring image the Gendarmes have always had, emerged as the ideal candidate to be the Elysée's gun arm, under the watchful eye of Francois de Grossouvre (chief of mission and a close friend of Mitterrand's) and the loving eye of Charles Hernu.

The Defense Minister, a Gendarme's son himself, played the key role of go-between by infecting the President with his own Oedipal obsessions. (Just recently, Charles Hernu proved his deep affection for the Gendarmerie by raising the number of conscripts who could opt for performing their military service in that branch to 15 percent of its strength.) Initially, the Minister pushed Prouteau and his "G-men" as replacements for the police on "official trips" to act as Mitterrand's personal security force. Phase two came when the GIGN chief was made Grand Panjandrum for "coordination, intelligence and operations in counter-terrorism."

That appointment was felt as a slap in the face by the police hierarchy. "An implicit repudiation!" stormed the police commissioners' union. Then somebody made a wrong move. Prouteau, it was announced, would not be the hoped-for "Scarlet Pimpernel" in hostile police territory, but merely the President's adviser on terrorism. That, however, did not stop the GIGN, swollen with its new importance, from burrowing through the files of the other police departments for its particular needs. Their success in this endeavor was not complete, however: some of the services turned a deaf ear, and refused to accommodate the Super-Gendarmes' curiosity until they had filed a request in due form. Furthermore, a GIGN man now sits in on all the weekly interministerial meetings on terrorism. Word has it that he takes copious notes, but never speaks.

Paradoxically enough, the Gendarmes as a corps are only moderately pleased with the sensational publicity that has lifted Prouteau and his men to seventh heaven. They are close to sharing the dim view taken by the police who don't like the GIGN for wearing civilian clothes and abetting the confusion of missions. That is a habit that sometimes puts the GIGN in situations that can only be called high comedy. Take the three Gendarmes who, last March, were mistaken for super-gangsters. A passer-by had alerted the police when he saw the trio assembling their weapons in an unmarked car parked near a bank. Surrounded, the three had "surrendered" after flirting with a very messy spillover indeed... By a strange coincidence, this scene took place at Villeurbanne, Charles Hernu's home town. The GIGN assured the police, apparently, that they were on "a sensitive mission involving national security."

That was very like what had happened 2 months earlier, when they dreamed up a real boffo act. Acting on a tip of high-octane bilgewater to the effect that there was a large cache of weapons and maybe even some terrorists hiding out in the drug detoxification center at Gers, the GIGN had mobilized a "Transall" and two Super-Frelons," only to come home empty-handed. Another time, a Boeing was detained for several hours at Roissy on orders from Prouteau, who thought he had spied another terrorist. Double zero. The only area in which the Super-Gendarmes have proved unbeatable is the realm of the ridiculous.

6182

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## PSYCHOLOGICAL WARFARE TO BE USED AGAINST ETA

Madrid DIARIO 16 in Spanish 23 May 83 p 5

[Text] Madrid--The Office of State Security (DSE) will soon be publishing a pamphlet entitled "The truth about the new ETA [Basque Fatherland and Liberty Group]", with the purpose of discrediting the terrorist organization and trying to take away its social support.

This is one of the numerous measures being contemplated by the ZEN [Special Northern Area] plan under the heading of "psychological warfare," whose operations will seek to "develop and maintain a positive attitude toward the State security forces, which would lead to greater cooperation with them so as to improve security for the citizens, protection of personal liberties and rejection of terrorist actions."

The leaflet "The truth about the new ETA," which will cost some 10 million pesetas to publish, will include statements from Basque citizens who are political leaders or who play some leading role in art, culture, the economy, etc.

The Office of State Security expects that these statements will point out the following facts:

The harm that the ETA is doing to the Basque people.

Its incompatibility with traditional Basque values.

Its lack of connection with the former ETA.

The criminal story of the last few years.

The pamphlet will include numerous illustrations of ETA assaults, and will be published in Spanish, Basque and French. It will be widely distributed in the Basque-Spanish and Basque-French provinces, especially in the schools and universities.

The Office of State Security also intends to publish another leaflet about the image of the State Security Forces. This publication will cost some 10 million pesetas. It will emphasize the "self-sacrificing work" of the police,

and one idea will be continually repeated: "The police suffer from acts of violence because they are a hinderance to the people who are trying to forcibly impose a system which is contrary both to the Basque cultural tradition and to freedom and the rights of others." In the context of these psychological warfare actions, the Office of State Security will publicize the conduct and successes of the police which reveal a high degree of professionalism. It even proposes to tell about mistakes committed by the security forces, accepting their shortcomings, but placing them in the proper perspective.

8131

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## INADEQUATE MATERIAL SUPPORT FOR POLICE IN BASQUE AREA

Madrid DIARIO 16 in Spanish 23 May 83 p 5

[Article by Jorge Fernandez: "Growing Discontent Among Police in Basque Country"]

[Text] The 1200 anti-riot police who for the last 2 months have been carrying out surveillance and control missions in the Basque Country and Navarra have expressed their growing discontent because of the harsh conditions of all kinds under which they must serve. They feel rejected by the population; and although they are accustomed to risks, they cannot escape the fear of being attacked, since they go out to patrol the streets in pairs with only their pistols for protection.

Madrid--Among the general reserve companies of the National Police assigned to the Basque Country and Navarra growing discontent has been observed due to the "harsh human, economic and social conditions under which they must carry out their mission," as several of their members told DIARIO 16. About 2 months ago the ministry of the interior sent seven companies of the type known as the "anti-riot" section to San Sebastian, Bilbao and Pamplona to carry out surveillance duties in two-man foot patrols. However, the state security forces do not have the infrastructure which is needed to establish themselves for long periods of time and with sufficient forces. This has resulted in attempts at protest, which for the moment are not going beyond the limits of the temporary quarters. To give a concrete example, three general reserve companies in San Sebastian have been quartered in the Provincial Hospital, near the Atocha camp. Members of this group told DIARIO 16 that "the operating room is being used as a snack bar and dining room for the police."

Also they are complaining about the complete lack of hygiene, and the risky conditions which they have to undergo. "All of us used our own sheets in the transfer, and when we return to our houses we have to burn them, because we are afraid that vermin have completely taken them over."

#### No Hygiene

The inspector general's headquarters is aware of this situation, and has complained on numerous occasions to the ministry of the interior about the

lack of logistical support they receive while serving.

They also think that the pay they receive is insufficient: 55,000 pesetas a month, plus a daily food allowance of 1440 pesetas, and 2,700 more a month to belong to the CRG.

"We have to pay for our own meals," the same sources state, "which costs us 200 pesetas inside the barracks, but which leaves much to be desired."

#### Patrolling

Their duties in the northern part of Spain consist in continuously patrolling through the streets. They go in pairs, without any other protection and resources than their own pistols. They do not wear their usual uniform of a helmet, neckscarf, dark trousers and boots; but instead beige trousers, tie and shoes, like the national police.

Usually, these anti-riot companies are quartered in their camp, waiting to be used as shock troops in any conflict involving disturbances of the public order, for which they have been trained and for which they have suitable transport weapons.

As the ZEN (Special Northern Area) plan has progressed, surveillance has been increased, and seven companies have been sent in; that is, a third of the troops.

Their daily routine begins at 7:00 am and goes on until 3:00 pm when the next shift takes over. In the afternoon they remain on reserve in the temporary barracks, waiting in case any conflict arises.

After 10:00 pm they can go out in civilian clothes through the city to take a walk, with their regulation weapon, a short 9 mm pistol; although some prefer to use their private weapon which usually is a revolver--"quicker to handle, and it doesn't get stuck."

#### "They Reject Us"

They say they do not feel "especially afraid, because we are used to this, however, we do sense danger nearby. We are dying to get to make contact with the people, but the truth is that when we go into the bars the Basques do not even speak to us. We have observed that the owners of the bars to which we sometimes go do speak with us if there is no one else present, but if other customers come in, they prefer to keep quiet."

8131

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## SAN SEBASTIAN BOMBING RESEMBLES ETA TACTICS

Madrid YA in Spanish 28 May 83 p 8

[Text] Madrid--"Terrorism is not an isolated problem of some country or another. It is a problem that tries to destroy the stability and free expression of the popular will that characterize democratic order," stated Minister of Interior Jose Barrionuevo in his opening speech at the Fifth Conference of Police Chiefs of European Capitals that will continue in Madrid until next Thursday.

Jose Barrionuevo stated that it is necessary to conquer terrorism through international cooperation and united effort. He cited, as an example, the relationship between French and Spanish authorities which is "growing every day."

This conference organized by the Madrid General Police Headquarters brings together representatives from Austria, Belgium, Denmark, France, Finland, United Kingdom, Greece, Holland, Iceland, Italy, Luxembourg, Norway, Portugal and Sweden. During the work sessions that will be held mainly in the mornings, topics concerning terrorism, citizen safety, intelligence and police structures will be debated. The papers on each one of these aspects of security in large cities are the responsibility of chiefs and specialists of the Spanish police.

In his opening words, the minister of interior indicated that the mission of the police is to maintain civic peace and insure the exercise of the rights and freedoms of the people. "In democracies, due to their level of freedom and capacity for the realization of the individual, peaceful coexistence can be more vulnerable to the action of persons or groups that, without respect for these, try to break the laws. Also, as a logical consequence, it is in the regimes with freedoms--like those that the countries represented here have--where police activity requires a greater level of professional training and technical means."

Jose Barrionuevo also stated his desire that police cooperation among the European countries be increased to confront crime that becomes more professional and international each day. This is demonstrated by crimes like drug and currency trafficking and terrorism. With respect to this last, the minister said that it was necessary to find legal formulas to prevent impunity of terrorists seeking asylum in other countries under the protection of the progressive legislation that characterizes democratic states.



The first conference of police chiefs was held in London in 1979 with subsequent meetings in Vienna, Rome and Copenhagen. There is an exchange of opinions and experiences strictly on police matters at these meetings, especially referring to the incidence of crimes generated in crowded urban areas.

7717  
CSO: 3548/428

## BARRIONUEVO ASKS FOR MORE ANTI-TERROR COOPERATION

Madrid ABC in Spanish 25 May 83 p 23

[Text] An explosion that could have caused a real tragedy occurred yesterday in the offices of the National Social Security Institute of San Sebastian located at No. 3 Calle Podavines in the Donostiara sector of Amara Nuevo.

The tragic events began midmorning when a masculine voice telephoned the Aid Association on Carretera de Guipuzcoa (DYA) and warned of the placement of a bomb. The call came at about 10:30 am. The bomb exploded 10 minutes later and wounded two national policemen and two female employees of the offices. The short time between the warning and the explosion made it impossible to evacuate the building. According to another version, the official who received the police warning told them that those calls had to be made to the director which also delayed the evacuation.

"There was a sudden explosion. There were many people upset and people screaming for help," an institute technician and eyewitness told YA. He added: "I was able to rescue a National Police corporal who was under the rubble. They took two of our fellow workers away on a stretcher. I work on the third floor. Moments before, I had been in the bathroom where the bomb was apparently placed. I am dazed. I still have not been able to react," he concluded.

According to the first data available, the bomb was made with about 3 kilograms of a high explosive until now undetermined. The bomb was placed in the third-floor bathroom. At the time of the explosion, more than 300 people were inside the building. This gives an idea of the magnitude of the tragedy that could have occurred. Some 40 people work on the third floor where the bomb was placed. It is necessary to keep in mind that many people come daily to these offices to transact retirement, widow's or disability pensions and, in general, all those services related to Social Security.

The wounded national policemen were Guillermo Rodriguez Garcia de Leaniz and Jose Vega Alvarez. Guillermo Rodriguez Garcia de Leaniz was taken to the Red Cross Hospital in San Sebastian. He was diagnosed with "cranioencephalic trauma with loss of consciousness, corneal abrasions of both eyes and thoracic abdominal trauma; in serious condition." Jose Vega Alvarez was hospitalized at Nuestra Senora de Aranzazu in San Sebastian. He has "cranial trauma, concussion, frontal wound, abrasions and multiple contusions. The X-ray of the skull and bones does not show fracture lines; less serious condition."

Two female office employees of the National Social Security Institute, both from San Sebastian, were also wounded. They were Ignacia Echarri with wounds mainly on her face, hands and legs and in less serious condition and Aurora Pascual with superficial abrasions on the sole of her foot and right hand without functional alterations and in less serious condition.

This attack is reminiscent of the one perpetrated last 5 February against the central offices of the Bank of Vizcaya in Bilbao. The explosion of a bomb on that occasion caused two deaths and seven wounded. ETA [Basque Fatherland and Liberty Group] Military later claimed responsibility for that attack.

The explosion of the bomb caused major material damage since part of the offices on the third floor were reduced to rubble. A preliminary estimate evaluated the losses at some 3 million pesetas although this figure, as is easily understandable, is provisional and requires subsequent evaluation.

Political parties, union organizations and other civic organizations have condemned this new act of terrorist violence.

#### Confrontations Between Youths, Police in Bilbao

Last night groups of youths confronted detachments of the National Police after a demonstration convoked by Jarrai KAS [Patriotic Socialist Coordination], the youth organization of the Basque nationalist far left, in downtown Bilbao to protest the ZEN Plan, according to EUROPA PRESS.

Those who convoked the demonstration asked the participants to wear cowboy pants, dark "anoracs" and tennis shoes and carry bags, apparel the ZEN Plan called characteristic of youths suspected of belonging to or sympathizing with ETA. The demonstration was preceded with a large placard stating: "Here we suspects are."

At the top of the Gran Via, many contingents of the National Police asked the demonstrators to disperse due to the illegal nature of the rally. The youths responded with rocks and bottles that they threw at the police. The police replied with the usual antiriot weapons.

Groups of youths then went to the old sector of the Vizcaina capital where they erected barricades with work material left from the Arenal bridge and garbage cans as well as vehicles that they used to block the roads. The main incidents and confrontations between the youths and the National Police who made several charges occurred in this area. Normalcy was reestablished about 10 pm.

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CSO: 3548/428

## BIRAND ON RECOGNITION OF ARMENIAN TERROR, NEGOTIATIONS

Istanbul MILLIYET in Turkish 26-27 May 83

["Corner" column by Mehmet Ali Birand: "We Are Talking to Ourselves"]

[26 May 83 p 7]

[Text] We are once again talking to ourselves in connection with the Armenian problem.

Are we waiting for another murder? Why are we not making a move before a new incident occurs?

Kamuran Gurun has been giving conferences in Erzurum; Bilal N. Simsir has finished his work and is waiting. Many Turkish academicians and journalists who are very knowledgeable about the Armenian issue and who can disseminate their knowledge like the two examples above are waiting for a signal or a move within an organizational framework.

Has Gurun's book been translated into foreign languages? Have conferences been organized for Simsir in Western and particularly American universities? In what countries have unofficial Turkish spokesmen appeared on television programs?

The answer to all these questions is a big "none."

It is already too late. At this point the best we can do is to hold the damage at a certain level.

The Armenian problem has reached the stage where it is about to be accepted as a "genocide." It is not important whether it is officially accepted as such by the governments of the world.

When "genocide" establishes itself as a fact in institutions which shape public opinion, such as the press, associations, universities and parliaments, it is not too difficult to obtain official endorsements from governments.

Educating the Turkish public and shaping Turkish public opinion about the Armenian issue is important, but foreign public opinion carries higher priority.

This issue has grown beyond the capabilities of the Information Directorate General, which does not know how to utilize the qualified personnel at its disposal. The dissemination of information about the Armenian problem must be planned within a much broader framework. Unofficial organizations and institutions must be put into action, but they must be provided with material support.

The booklet "9 Questions and 9 Answers on the Armenian Problem", which was distributed in Western countries in the last few months but which could not be circulated effectively because insufficient quantities were dispatched, was a good but small step in the right direction. This booklet must not be considered as the last step, and new ones must be put on the market before its effect dies out. The planning and implementation of this operation is extremely simple, and Turkey has some very valuable people at its disposal to do it.

However, it appears that we find lecturing ourselves to be more beneficial.

Another point we must understand is that not all Armenians living in various countries are people who are out to hunt Turks with guns in their hands.

In the United States as well as Europe, there is a large group of moderate and sensible Armenians who are slowly realizing that they are being dragged into a trap.

The roadblock in front of the moderate Armenians is the success of the terrorist organizations in "promoting the Armenian problem." The moderate Armenians see clearly that nothing can be achieved through terrorism, but so far they have been unable to assert themselves.

Establishment of relations and starting a dialog between Turkey and these groups would be beneficial in many respects. Naturally, it is not the Turkish government that should establish a dialog. Since a government cannot be expected to hold talks with private organizations, unofficial Turkish foundations, institutions or even universities can easily start a dialog.

On this issue, in our opinion the most interesting recent move has been--as Metin Toker noted in his article last week--the letter sent to the President by the Armenian Educational Council and the Mamigonian Foundation in the United States.

The moderation shown by these two groups, the fact that they do not support terrorism and the difference in their approach to issues from that of other Armenian groups can be considered an opportunity for unofficial Turkish representatives to start a dialog experiment.

(We will examine why there are no drawbacks to such a dialog in our tomorrow's issue.)

[27 May 83 p 7]

[Text] The Armenian Educational Council and the Mamigonian Foundation in the United States proposed to President Kenan Evren in a letter dated 3 April that an independent research effort be launched to study the "Armenian problem."

Although the letter was sent to Evren, officials of these two organizations know very well that such a research will not be undertaken in partnership with the Turkish government. Their goal is to get at least an unofficial signal for such a project from the highest official in this country.

These two Armenian organizations are known in the West for their sensible and moderate attitude. Of course, they, too, believe that the Armenians have been subjected to a genocide by the Turks. But they do not see the solution to the problem in terrorism. Thus, no matter what ulterior motives one can think of, their recent initiative is difficult for Turkey to dismiss immediately and can even lead to interesting developments.

Why?

No matter how much we deny it, the world has opened the "Armenian file." Turkey cannot explain that it was not responsible for the events, that the facts are not as black and white as the Armenians claim and that they are much more complicated simply through official statements and a few small publications. The only way to change, or at least to jolt, the convictions of the world public is to launch an impartial and extensive international scientific research effort without giving it the air of a fact-finding commission. As long as the archives are not opened and such an extensive research effort is not undertaken, the suspicion that some things are being covered up will remain, and, in the long run, that will serve the interests of Armenian groups which favor terrorism.

On the other hand, if this initiative reaches a successful conclusion it may demonstrate many facts much more extensively than Turkey could ever do.

The Armenian problem will not end with such studies. In fact, most probably, the terrorist organizations will do their best to undermine such an effort and will even commit new murders to provoke the Turkish public to reject such an approach.

However, in the end, Turkey will be able to show that it has nothing to hide and that the Armenian problem is more of a product of the conditions of the day than of a unilateral and simple genocide as is claimed. That would be a very significant point from a perspective of world public opinion. Perhaps there will be few who will believe Turkey and accusations will continue, but the propaganda of distortion that is being waged will be slowed down, questions will arise in the minds of thinking individuals and everyone will take his true place as the role of certain great powers--like France--in the events is uncovered.

The issue of opening archives and launching a joint research effort will certainly cause suspicions in the minds of many. The following words by one of the best known American writer-researchers to Turkish officials is very interesting: "No matter what archives you open anywhere in the world and no matter who examines them, you can never find a document which supports a single viewpoint. You can never get black and white results. You will always find documents which have different shades and which conflict with each other."

This well-known individual--who is also known as one of the leading Turkologists and supporters of Turkey in the United States--claimed that Turkey can rid itself of this Armenian problem by opening its archives to an independent study project.

However, the point that needs the most attention is the issue of how this research work will proceed.

There is merit in not rejecting and giving serious thought and consideration to this proposal made to Turkey in connection with the Armenian problem. No matter how wrong it was to address the said letter to the President, the fact that it was sent to the President at least stands as a guarantee that the proposal will be studied seriously.

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## ENVIRONMENTAL, OTHER FACTORS RAISE ELECTRICITY PRICE

Duesseldorf HANDELSBLATT in German 30 May 83 p 21

[Article by Horst Magerl: "More Cost Pressures and Greater Planning Risks"]

[Text] Environmental protection guidelines for electrical power producers have recently been tightened. On 1 March 1983 the new air pollution regulations came into effect; on 23 February 1983 the cabinet resolution concerning the ordinance governing large coal-fired installations. In addition to this, the Bundesrat on 29 April 1983 passed some 58 amendments which, except for a few editorial changes, will all mean further tightening of guidelines. Particularly serious are the last two actions. Here--unless corrections are made--costs are projected into the billions of marks, which will only make themselves fully felt later in the 1980's.

The new guidelines for large coal-fired electrical generating plants will mean for the electrical utility industry additional investments for desulphurization on the order of 12 billion marks. The so-called older plants in the public utility system will require up to 6.5 billion marks. For the generating plants affected, this will mean, in addition to general cost advances for fuel, construction and personnel, additional costs at the level of DM 0.02/kwh for new plants and DM 0.03/kwh for new installations. Estimated costs for reducing nitric oxide levels are not included in these figures.

Affected along with the electrical generating industry will be centrally generated regional heating networks, domestic coal mining and industry (as a result of higher electricity costs). The Bundesrat's decision to abolish the regional heating bonus will have significant effects upon the further development of centrally generated regional heating networks. Cost increases of some 25 percent are expected for regional heating generated from thermal power plants. This would mean that regional heating networks would frequently no longer be competitive with other heating systems and would call into question the expansion of this system type which had earlier been supported by the Federal government.

In general, the new guidelines will lead to increased costs for the use of coal and thus diminish its competitiveness with other energy sources.



The time spans required for approval and construction of power plants have doubled in recent years. For coal-fired plants, they can run from 5 to 7 years, for nuclear plants around 10 years. Thus, decisions for power plant construction intended to be online in the 1990's have to be made today. Toward this end, assumptions of the level of electrical power requirements for the 1990's also have to be made today.

Since electricity demand is basically a factor of the state of the economy, future economic developments must be projected. The legislature demands power supply certainty, i.e., the capacity to deliver power at any time. This obliges the utility industry to take its bearings from the upper ranges of the economic projections. This is the only way to assure that electricity will not be in short supply with future growth.

Planning risks, already high owing to the extended planning time spans, will be intensified even further due to the currently uncertain starting position. This has made the planning of future power plants more difficult than ever.

The drop in electricity demand growth rates resulting from the current recession has brought about a time factor adaptation in power plant planning. Including replacement of projected plant shutdowns, the public electrical generating economy will require some 30,000 megawatts (MW) of additional capacity over the next 10 years.

At present, some 19,000 MW of capacity are under construction, of which about 12,000 MW will be nuclear generated and 7,000 coal-fired. Additional requirements of some 11,000 MW are in the planning stage by companies with specific locations and projects. Achieving these goals will be determined by specific requirements which can differ from region to region.

Although power plant capacities appear to be quantitatively adequate, the basic power plant structure is not optimal. Sufficient coal-fired, gas- and oil-fired power plants are on line to cover median and peak load requirements. For reasons of energy policy, there should be minimal use of the last-named types. In the case of power plants to meet basic load requirements, there still exists a deficit of about 10,000 MW. This deficit can only be covered in the course of the 1980's through additional construction of nuclear power plants.

The rise of electricity costs to consumers of 6.4 percent in 1982 was significantly lower than in 1981. For industrial users of high and medium voltage current, rates rose, according to official indices, by some 6 percent in 1982 as against an 11.3 percent climb in the previous year. Still, the rise on the cost of electricity even in 1982 was higher than the rise in the cost of living (4.6 percent) and higher than the average price increase for all industrial products (3.6 percent) as well as for capital goods (5.2 percent).

For years, electricity consumers and industry have been relatively well off with respect to costs: until the end of the 1960's, prices remained practically constant, i.e. inflation-adjusted electricity prices fell. The price adjustments necessary in the 1970's were still less than the rate of inflation. The pricing trends of other energy sources in the energy marketplace show a pattern distinctly in favor of electricity. Thus, while the price of electricity, according to official price indices, has risen about 40 percent since 1978, prices for coal and regionally distributed heating energy have risen by 60 to 70 percent. Heating oil and natural gas prices more than doubled over the same period by 120 to 140 percent.

Future electricity prices will be basically determined by the pattern of fuel prices, by the effects of additional environmental protection guidelines remarked earlier as well as the economies achieved by the further expansion of nuclear energy use. Price trends in fossil fuels will depend largely on international energy market demands. In the event of an economic recovery, an increase in the prices of these fuels can be expected.

Any slowdown in the rate of cost increases for generating electricity can only be achieved in the long run if the share of nuclear energy succeeds in increasing. For power plants scheduled to go on line in 1983, costs per kilowatt hour--given the same on-line duration (6,500 hours per year)--from nuclear power plants will be approximately DM 0.11/kwh as compared to DM 0.15 to DM 0.16/kwh from plants using domestic coal. This cost advantage of DM 0.04 to DM 0.05 will increase further as on-line times increase.

Given fixed capital costs, the cost of electricity production will vary--apart from personnel costs, which can be ignored here--only as fuel costs change. While fuel costs for nuclear energy, including recycling and final waste storage, amount to about DM 0.025/kwh, domestic coal--depending upon its location--runs to between DM 0.08 and DM 0.09/kwh.

All things considered, it can be observed that in view of the cost-intensive environmental measures, electricity rates will probably be forced to rise somewhat more rapidly than the general level of prices.

In long-range terms the picture does not look at all unfavorable, if cost-effective nuclear energy can be more widely used to cover basic load requirements. At the same time, this will create better conditions for a mix-calculation which takes account of coal-fired electrical production.

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TEXT OF LAW ON PRICE OF ALGERIAN GAS

Rome STAFFETTA QUOTIDIANA PETROLIFERA in Italian 10 May 83 p 6

[Text of "Law on Subsidization of the Price of Algerian Gas"]

[Text] Law for Subsidization of the Price of Algerian Gas

Published in the GAZZETTA UFFICIALE, No 123, 6 May 1983

Law, 2 May 1983, No 151

Granting of a temporary financial subsidy relative to the importations of methane from the Democratic and Popular Republic of Algeria

The Chamber of Deputies and the Senate of the Republic have approved;

The President of the Republic promulgates

the following law:

Article 1

Relative to the importations of methane carried out until 31 December 1985, on the basis of the contracted provided for by the Italian-Algerian intergovernmental understandings of 27 September 1982, the importing company is allocated, at the charge of the state budget and through the intermediary of the ENI [National Hydrocarbons Agency], a financial subsidy of Lit 26.5 million for every million cubic meters of methane as imported above, within the maximum total-expenditure limit of Lit 540 billion.

This expenditure will be provided for under an appropriate category to be established in the expenditure estimates of the Ministry of State Participations, in the form of quarterly deferred payments, the amount of which shall be scheduled in advance as equal to Lit 45 billion for the quarter ending on 30 September 1983, which is understood as relating also to the quantities that may be imported in the preceding quarter; to Lit 45 billion for each of the first 3 quarters of the year 1984; and to Lit 60 billion for the first 3 quarters of the year 1985.

The amount of the payments relative to the last quarter of the years 1983 and 1984 shall be determined, within the limit of Lit 45 billion and by way of a provisional balancing, on the basis of the quantities of Algerian methane effectively imported in 1983 and, respectively, in the 2-year period 1983-1984. The amount of the payment relative to the last quarter of the year 1985 shall be determined, within the limit of Lit 90 billion and by way of a definitive balancing, on the basis of the quantities of Algerian methane effectively imported in the entire period under consideration.

The payment of each amount occurs after presentation, by the company concerned, of a declaration relative to the quantities of gas imported in the quarter in question. Settlement and payment of the balancing amounts relative to the last quarter of each year occur after presentation, in an original and a photocopy, of the Customs bills relative to the importations for the entire period in question.

## Article 2

The commitment of Lit 540 billion deriving from application of the present law is provided for, as regards the amount of Lit 45 billion for each of the financial years 1983, 1984, 1985 and 1986, through corresponding use of the higher revenues provided in the decree-law of 21 January 1983, No 9, changed by law No 63 of 3 March 1983, enacting "Modifications of the taxation regime for some petroleum products."

The remaining sum of Lit 360 billion, equal to Lit 120 billion for each of the financial years 1984, 1985 and 1986, is provided for through use of a like amount from the increased revenues deriving from the decree-law of 31 March 1983, No 88, enacting "Modifications of the taxation regime for some petroleum products."

The minister of treasury is authorized to make, by his own decrees, the budget variations necessitated.

The present law, stamped with the seal of the state, shall be inserted in the official Collection of the Laws and Decrees of the Italian Republic. Anyone responsible is obliged to observe it and have it observed as the law of the state.

Issued in Rome, 2 May 1983

Pertini

Fanfani - Capria - Colombo -  
Bodrato - Goria - Pandolfi -  
De Michelis

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CSO: 3528/147

## BRIEFS

FIVE NEW HYDROELECTRIC PLANTS--Five new hydroelectric plants will be built by the "Sime" firm of Ascoli Piceno in the Marche and in the communes of Ussita and Acquacanina. The hydroelectric plants, which, it is reported, will use small water offtakes, have obtained the favorable judgment of the regional council, which then transmitted the relative files to the Ministry of Industry and to the ENEL [National Electric Power Agency], also for the purpose of obtaining state contributions. The project for the commune of Ussita is to build three power plants making use of the Ussita stream and the Nera River, in, respectively, the communities of Sant'Angelo, Sant'Antonio and San Placido. It is reported that the total power will be close to 2,200 kW, for a cost of Lit 10 billion. A single plant is planned in the commune of Acquacanina, with use of the waters of the Fiastrone River, for Lit 3.5 billion. As for the "Sime" firm, the offtake would be from the Castellano stream, for an expenditure of Lit 400 million. In all these cases, the surplus energy produced would be delivered to the ENEL once the "internal" requirements had been met. [Text] [Rome RASSEGNA PETROLIFERA in Italian 9 May 83 p 429] 11267

CSO: 3528/147

## PROFESSORS PROPOSE ALTERNATIVE ECONOMIC POLICIES

Frankfurt/Main FRANKFURTER RUNDSCHAU in German 22 May 83 p 14

[Article: "35-hour week or soon 4 million unemployed; memorandum 83: four economics professors demonstrate alternatives to entrepreneur--state and crisis policy"]

[Text] The "Alternative Economic Policy" group of scientists predicts over 4 million unemployed even in case of possible FRG cyclical upturn within the next few years unless a basically expansionary course is introduced in economic, financial, and social policy aside from the speedy introduction of the 35-hour week. When they submitted their "Memorandum 83," the economics professors Rudolf Hickel, Joerg Huffscheid (both Bremen), Herbert Schul (Hamburg), and Axel Zerdick (Berlin) warned against an employment policy catastrophe with a worsening of the financial and social security problem..

Aside from the demand for immediate measures--for example, a temporary ban on mass firings, cancellation of the budget economizing decisions, and an employment-effective investment program of initially DM 30 billion--the "alternative professors" regard as indispensable reductions of the workweek which would entail the creation of perhaps 400,000 new jobs per year. Below you find the text of the memorandum written by the four scientists.

1. Mass Unemployment--Intimidation--Growing Poverty: The 1983 Social Climate

The highest unemployment and the strongest decline in the standard of living in FRG history characterize the economic and social situation this spring. The employers are utilizing this situation to intimidate and discipline the work force, to reduce wages and salaries, plant social benefits, and safety and codetermination rights. The federal government also nurtures the climate of confrontation towards those dependent on wages and salaries through an economic and social policy that:

--pretends to reduce mass unemployment, but in reality further increases it;

--does not safeguard the welfare state but destroys its foundations;

--contrary to its own declarations restructures public spending to the detriment of social welfare, education, and infrastructure and in favor of armament, industrial-scale technology, and international expansion; and

--rearranges taxes and levies to the detriment of employed wage and salary earners, pensioners and recipients of social insurance benefits to relieve the private sector of the economy.

The federal government is farther removed from an employment policy taking into account active social and ecological concerns than all governments of the social-liberal coalition, an employment policy that makes a lasting reduction of unemployment possible. Unless we succeed in reversing the present crisis course of the economic and social policy, even the prognoses predicting an unemployment figure of 4 million for the second half of this decade will become wishful thinking.

The number of registered unemployed more than doubled between 1980 and 1982. Last year the increase was greater than in any other comparable country. In February 1983, approximately 3.8 million persons were actually unemployed, corresponding to an unemployment rate of 16 percent. This figure consists of the more than 2.5 million registered unemployed and of the "latent reserve" estimated by the Federal Labor Agency, the latent reserve being that group of unemployed who are no longer registered. In structurally weak regions and cities (Passau, Leer among others), the rate of registered unemployed is in the neighborhood of 20-25 percent. The number of part-time workers has also greatly increased; at the beginning of 1983 it was around 1.2 million. For the coming months numerous large enterprises have announced extensive reductions in their labor force, headed by the steel companies and large shipyards and prosperous firms such as Siemens and MBB. In contrast to earlier years, there will frequently be mass firings as a result of which regional unemployment quotas will suddenly rise by several percentage points. By the end of 1983 over 4 million persons will be unemployed in the FRG.

Unemployment entails high financial losses. In 1982, recipients of unemployment pay received DM 950 a month on the average; unemployment relief was DM 780 on the average. A quarter of the registered unemployed (that is 600,000 persons) and the approximately 1.3 million unregistered unemployed receive no benefits at all from the Federal Labor Agency. The longer unemployment continues, the greater the financial losses and the more difficult it will become to find a job once again. Most unemployed must accept considerable worsening of terms when they find another job.

With unemployment, poverty is also growing in the FRG. In 1982, about 2.5 million people received welfare aid. The normal rate here is about DM 340 a month for the head of a household and about DM 300 for 16-21-year-old

members of households. These normal rates are based on "minimum need" last checked in 1970 that provides for a grown-up welfare recipient on the average, for example, 10 grams of coffee a day, one banana a week or half a movie ticket and four cans of beer a month, etc.

A growing number of the pensioners is also affected by increasing poverty. In 1980, 15 percent of the pensioners (1.5 million) had less than DM 600 per month. Poverty increased here, too, because in the years since 1980 the increase in pensions was less than the annual rate of price increase.

In 1983 an estimated 270,000 youths will not find a training place. By the mid-eighties, the number of those who without vocational training will be permanently pushed to the edge of the labor market will increase to one million. They constitute the poverty potential of the subsequent years.

The employed wage and salary earners who thus far have not been affected by unemployment and social decline must deal with growing burdens of crisis and an economic and social policy directed against them. The tax and social insurance load is growing. In 1983, too, net real wages will continue to decline--as they had done in the preceding years (1980: minus 0.4 percent; 1981: minus 1.2 percent; 1982: minus 2.7 percent). For most wage and salary earners, real wages in 1983 will be below the 1978 level. Reductions of benefits in all social welfare fields, growing pressure at the job, increasing environmental burdens and the increasing reduction of protective social rights raise the fears for the future, above all among the wage earners.

## 2. State Economic Policy and Course of the Crisis

The difficult social situation is, first of all, the result of the persistent economic crisis. However, it is also the result of a state economic and social policy which for years has pursued a course reinforcing the crisis rather than one countering it. The new federal government has made it unmistakably clear that it does not plan to change this orientation. The measures of the budget companion law approved at the end of 1982 and the already known decisions for "Operation 84" confirm that the road of social-welfare reduction and promotion of profits taken by the social-liberal coalition will continue even more consistently. The mentioned measures and orientation:

--reduce the benefits of the welfare state (reduction of unemployment pay and in occupational training, postponing of the pension adjustment, actual reduction of social assistance, cancellation of the Student Federal Training Assistance Law, reduction of children's and rent allowance, etc!)

--increase levies and taxes on mass income (value-added tax, contribution to unemployment and pension insurance, health insurance contributions for pensioners, fees for hospital stay and health cures, etc);

--and provide tax relief for the enterprises and higher income brackets (trade earnings tax, construction of owner-occupied houses, land transfer tax).



The reduction of social services just as the massive personnel reduction in public service is one of the important intensifiers of the duration and intensity of the present crisis. The reduction of income in public service must also be seen in this context. This policy worsens the situation of millions of people. Moreover, it limits the mass purchasing power and thus the private consumer demand as most important determining factor of the overall economic demand and thus causes additional unemployment. This is reflected in the state budget as an increase in social welfare expenditures--despite reduced services for the individual claimant--and as tax loss and thus entails an increase in public indebtedness. Public debts cannot be reduced by economizing during the crisis. The federal government knows this just as much as did its predecessor. It proclaims the slogan "consolidation now" only because it wants to justify herewith the further reduction of social expenditures.

Public investment policy is not designed either for sensible social provisions for the future but for the safeguarding of profitable private economy fields of production. This is evident from the entry into the spreading of cable TV intensively promoted by the Federal Government without regard to the negative social and economic consequences of this technology. The same applies to the "hard" energy policy of the new government; it finances the technologically and economically nonsensical unclear energy facilities in Kalkar and Schmehausen, while cutting down the promotion of projects to save energy and develop alternative roads of energy supply.

The still enormously increasing arms expenditures must also be seen in this context: No ministry receives as much additional money in 1983 as the defense ministry. The priorities for the military were, of course determined by the old government: Medium-term financial planning for 1982-1986 provided that federal expenditures (not including interest payments) should grow by DM 9.2 billion. A total of DM 8.8 billion, that is 95.7 percent of this increase, is allocated to the military budget while all other areas remain nearly unchanged or their appropriations are even declining. In this respect, too, there can be no doubt as to the uninterrupted continuity of the new government's policy.

The policy of economizing and redistribution in favor of profits reduces domestic demand more than this demand is being increased by the state investment projects. The attempt to offset the overall economic weakness in demand by noneconomic expansion must fail, first of all because of the international character of the present stagnation and the countermeasures by other countries and secondly it would also not be desirable because it promotes an overall economic production structure in which the domestic economy is being systematically gutted.

However, austerity policy and foreign trade expansion are only the narrow economic core of the basic political trend of the federal government. At the same time it is characterized by the reduction of rights of protection against the privileges of private property (example: new rent law) and the increase of political repression by the state (example: restricted right to demonstrate). All these measures and trends show that the subjecting

of state policies, again increasingly carried on since the mid-seventies, to the demands of the private economy both quantitatively--as regards the number of political spheres concerned--as well as qualitatively--as regards the extent of the subjection--is to be expanded.

### Profits Do not Create Jobs

In the justification of the alleged necessity for the state austerity policy the new federal government maintains continuity. As was the case with the social-liberal coalition, the new government relies on the chain that is cracked in all its links: additional profits result in additional investments which on their part create jobs. Reduction in real wages and tax relief for the enterprises are to strengthen the first link in this chain--the profits. The reduction of social benefits required for this is the "bitter pill" that those who are affected by it have to swallow.

On the other hand, in the meantime it should be obvious that

--the West German economy is not short of capital for the required investments but that profitable investment opportunities for the still considerable enterprise profits are lacking;

--the reason for investments is not the presence of profits but the prospect for adequate sales opportunities in the future;

--under present conditions, additional profits or profit subsidies therefore will not flow into investments for expansion because the available capacities are now considerably underemployed as a result of the absence of consumer demand;

--additional profits rather are channeled either into capital export, or into domestic financial investments or into rationalization investments which cause additional unemployment under current low growth conditions.

The economic and social policy of the federal government promotes not even "the private economy" in general but restricts the opportunities for the existence and development of most enterprises by reducing domestic private demand. This is also proved by the extraordinarily great increase in the number of bankruptcies during the past 2 years. Nevertheless this policy is being pursued because it is in the interest of those enterprises--numerically few but exercising important economic and political influence--that profit from the domestic austerity policy as cost relief and that can avoid the ruinous overall economic effects of the short-fall of private demand in the FRG by further advances on the world market or by recourse to orders from the public sector (cable TV, nuclear energy, armament).

### 3. The Alternative: Qualitative Growth, Shorter Working Hours and Socialization

An economic and social policy strategy raising the claim that it wants to reduce unemployment while adhering to social and ecological basic requirements must now be based on the following:

(1) State revenue and expenditure policy must counteract the economic, social, and ecological deficits of the present crisis. This requires medium-term expenditure programs that are concentrated on the areas of social scarcity and that socially safeguard the economically weak of society.

(2) The present unemployment is already too bit to be able to reduce it by state spending programs alone. Not even a cyclical upsurge will be able to achieve those growth rates that would be required to achieve full employment. Traditional forms of economic growth also would not be affordable either socially or ecologically at the required rates. Therefore, the individual working hours must be reduced for all.

(3) Qualitative growth and reduction of working hours must be safeguarded by democratization of the economic decision-making process. The democratic solution of structural crises demands socialization of production. At present this applies especially to the steel industry and to the big shipyards where the failure of the private market mechanism is most obvious and where a strategy of capital-oriented crisis solution entails further closings of plants.

In the spirit of these current bases of an alternative economic policy, we are proposing the following group of measures:

### 3.1 Immediate Measures of State Economic Policy

#### (a) A temporary ban on mass firings

Mass firings should be prohibited until the proposed employment policy measures produce an effect. Legally that could be done by extending the 20month ban on firings that can be imposed by the labor offices even now.

#### (b) Revoking of Decisions of the 83 Haushaltbegleitgesetz

The measures of the budget companion law must be rescinded. As a result there will be DM 10.1 billion more expenditures and DM 2.2 billion less tax revenue for the federal budget.

(c) An investment and employment program for qualitative growth amounting to DM 30 billion.

As part of the "future program for the eighties" with a total volume of DM 200 billion that has been demanded by us for years, we have thus far estimated an additional annual volume of expenditure of DM 20 billion. In the meantime, an increase of the program volume to DM 30 billion has become necessary so that the employment policy stagnation of the past few years can be at least partially offset. The requested program is supposed to serve not only the mobilization of idle production capacities but also to establish better supply in areas of social shortages. We are proposing the following areas for this purpose:

--Development of raw-material and energy saving technologies and alternative energy sources;

--Promotion of apartment construction and urban development, construction of an additional 100,000 public housing apartments;

--Improvement of traffic conditions (railroad, noise prevention, noise abatement of road traffic);

--Refuse and sewage disposal, river and ground water improvement;

--Education, vocational training and advanced training;

--Expansion of the state social services.

There must be assurance in all areas even now that this program will be continued also after 1983.

#### (d) Additional Tax Receipts

By improved tax collection, the reduction of tax subsidies of little effect and/or socially not justified and by specific tax increases, the tax revenue can be increased by over DM 40 billion without any big intervention in the tax system. Of this amount we estimate DM 19.3 billion for the federal budget while DM 21.8 billion are to provide additional leeway for expenditures by the Laender and municipalities.

The tax increases of our proposal deal with the excess profits of the oil and gas enterprises producing in the FRG, abolition of the time limit for sales for the land value excess profits tax, levying of a tax surcharge, raising the maximum tax rate for the income tax, and increasing the value-added tax for luxury goods.

#### (e) Expansion of Federal Net Borrowing

Contrary to the statements of the official economic policy, it is not only possible to increase the public debt but also that can be done usefully if the additional borrowing is used for financing employment policy measures. The present economic policy anyway does not have the choice between borrowing and not borrowing. At best the decision to be made is whether--as is now the case--the Federal Government finances the consequences of the inactivity of its own employment policy with increased new borrowing or whether additional measures to ensure employment per public borrowing are being financed.

#### (f) Improvement of the Financial Position of the Social Insurance Agency

The federal subsidy for unemployment insurance must be increased, a general labor market contribution of the self-employed and of the white-collar employees must be introduced. The social hardships that occur in

this connection over the short run can be cushioned by a gradual start. In the pension insurance, too, the increase of the federal subsidy and cancellation of the income limit up to which contributions are chargeable are necessary. As regards health insurance, the raising of the income limit below which insurance is obligatory, a price freeze for medicines and compilation of a positive list for effective and attractively priced medicines, higher receipts or lower expenditures by the insurance carriers can be achieved, obviating the need for increased insurance premiums and a reduction in services.

The survey below indicates how the requested measures would affect the federal budget:

Summary Total 1983 Budget (Billion DM)

|  | <u>Federal<br/>Government</u> | <u>Alternative<br/>Proposal</u> |
|--|-------------------------------|---------------------------------|
| 1. Expenditures  |                               |                                 |
| --Regulat budget   | 253.8                         | 253.8                           |
| --Revocation of 1983 economizing<br>reallocation decisions             |                               | 10.1                            |
| --Special employment program   |                               | <u>30.0</u>                     |
| Total Expenditures   |                               | 293.9                           |
| 2. Revenue   |                               |                                 |
| --Receipts from taxes, administrative<br>fees, and profit from coinage | 213.4 <sup>1)</sup>           | 213.4 <sup>2)</sup>             |
| --Tax shortfall  |                               | - 2.2                           |
| --Additional tax revenue through:                                      |                               |                                 |
| --improved tax collection  |                               | + 6.1                           |
| --reduction of tax subsidies   |                               | + 9.7                           |
| --tax increases  |                               | <u>+ 3.5</u>                    |
| Total revenue  |                               | 230.5                           |
| 3. Net borrowing   | 41.5 <sup>1)</sup>            | 63.4 <sup>2)</sup>              |

1) The tax revenue estimated by the federal government once agains is likely to be too high in view of the gorwing unemployment. A later increase in net borrowing on account of tax shortfall appears to be probable.

2) Conversely the tax revenue will be clearly higher if the proposed employment program takes hold. The estimated net borrowing can be correspondingly reduced.

### 3.2 Reduction of Working Hours With Wage Increase to Compensate for it

The reduction of working hours is an absolute necessity in the struggle against mass unemployment. At the same time it represents a socially rational way of dealing with the advance in productivity. Therefore, we plead for a priority reduction of the workweek according to the labor union demands for a 35-hour week. At the same time we consider other forms of reduction of the working time (working age limit, educational leave, etc) as also important and necessary. They should not be played off against one another.

Under present conditions it appears to make sense to concentrate on a form of reducing working hours because the entrepreneurs will massively fight against anything that is effective as regards labor market policy and is being implemented with full compensatory wage adjustment. Among these decisions imposed from the outside, we advocate the reduction of the workweek because it

--is most effective in terms of labor market policy;

--includes all employed persons;

--most closely meets the need for a meaningful link of work, private life, and sociopolitical activity of employed wage and salary earners.

Reduction of the workweek must be carried out with full compensatory wage adjustment, so that first of all the positive employment effects of the reduction of the working hours are not being destroyed by a reduction of the mass purchasing power. Secondly, a further loss of income for the employed wage and salary earners, especially in the lower income groups, is not reasonable in view of the income losses of the last few years.

Simultaneously, appropriate legal, collective wage agreement, and enterprise measures and regulations must ensure that the positive effects of the reduction of the working hours are not being undermined by the entrepreneurs through an increase in work intensity and a growing work load. Therefore, the works councils and labor union bodies must receive considerably improved opportunities for control and codetermination on type, form, and extent of production.

### 3.3 Socialization in the Steel Industry and in the Big Shipyards; the Democratic Solution of Structural Crises

In the steel industry and in the big shipyards, the failure of private production directed toward maximum profit interests is especially pronounced. Unemployment is far above the federal average in the regions in which steel firms and shipyards are located. Mergers, locational concentration, plant closures and mass firings are planned for the next few months. These capital-oriented solutions to the crisis--as exemplified by the concept of

the so-called "steel moderators"--are without prospects for the employed. They cause a further drastic increase in unemployment and a process of forced de-industrialization in the affected regions.

As an alternative and democratic solution of these structural crises we demand socialization of the steel firms and of the big shipyards. In the short run, it is the goal of the socialization to maintain the existing locations and all jobs as well as the controlled and specific use of state subsidies in the service of an active structural policy of employment and production. With the socialization of production, the entrepreneurial goal is to become job security, the quality of working conditions, and the production of useful products oriented towards the future. This presupposes a comprehensive, that is expanded, codetermination of the works councils and employees, expanded compared to the existing legal regulation.

When we propose the formation of a national "Steel Corporation" or "Shipyard Corporation," this is not to encourage a new bureaucratic centralization but a coordinated overall policy that makes possible inclusion of all steel enterprises and/or big shipyards. So that the regional and specific plant peculiarities are taken into account in this policy, regional, democratically established bodies as well as the individual operating companies are to be able to exercise significant influence on planning and decisionmaking concerning the policy of the "Steel Corporation."

It is true, socialization alone will not eliminate the causes of the economic crisis. Embedded in the strategy of qualitative growth proposed here, it constitutes an important instrument with which mass unemployment and regional structural crises can be combatted. It is the prerequisite for implementing the creation of replacement jobs and for expansion of future-oriented production in the steel firms and in the shipyards, for these efforts thus far have not been made, above all because of a lack of adequate private economy profitability.

12356

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## MICHELIN INCURS LARGEST COMPANY LOSS IN NATION'S HISTORY

Duesseldorf WIRTSCHAFTSWOCHE in German 13 May 83 pp 156-158

[Article: "A Tire Giant is Tottering"]

[Text] The Michelin tire corporation, long accustomed to the sweet taste of success, is beset with problems. In 1982 the company chalked up the biggest loss ever sustained by a private French company. The firm's eccentric director, Francois Michelin, sits at the storm center of criticism.

Necessity, they say, is the mother of invention. This holds true even for so staunchly conservative an enterprise as Michelin, whose financial disclosures have, until now, limited themselves to a casually prepared and only reluctantly published annual report. Not until the crisis year of 1983 did Michelin president Francois Michelin discover the institution of the stockholder's letter. For the first time in the history of the nearly 94-year old tire manufacturer, the second largest of its kind in the world, chose to communicate directly with its stockholders in late April. In light of the notorious secretiveness of the French concern, this was almost certain to bode little good. What Michelin disclosed to its stockholder hit French financial circles with the effect of a bombshell.

The prestigious tire manufacturer, located in the central French town of Clermont-Ferrand, had been a blue chip contender on the French stock exchange as a result of successes reaching back decades. In 1982 it succeeded even further in breaking all records--downhill. With a consolidated annual sales of some 32 billion francs, Michelin had lost approximately 4 billion francs--12 percent of total sales or about 1000 francs per share. Its stock is currently quoted at about 770 francs a share. Never before had a private French enterprise ever recorded so monumental a loss in a single year. This was the last thing anyone expected from the puritanically managed Michelin concern whose stockholders had been paid an annual dividend in each year of the past three decades. Even during 1981, when the tire specialist chalked up a 290 million franc loss, shareholders were still rewarded with a dividend of about 25 francs per share--including tax credit. But this year, according to the company's stockholder letter, it sees itself confronted with the "grim necessity" of having to withhold dividends.



Yet 1982 should have been its year of triumph. In 1960 Michelin was ranked only seventh among international tire makers. It had fought its way steadily upward over two decades and had hoped, with its 1982 tire sales of 82 billion marks, to surpass international pacesetter Goodyear and to reach the summit as the largest tire manufacturer in the world. With an enormous investment of approximately 10 billion dollars, the French had managed to consolidate their position on the U.S. tire market--the largest in the world--and to challenge world market leader Goodyear Tire and Rubber on its own turf. From its output at four modern U.S. plants, Michelin had in the meantime been putting its tires on a large share of new car production from Ford and Volkswagen of America. Michelin, with a multi-million advertising campaign, had captured a respectable place on the tire racks of leading U.S. department store chains such as Sear, Roebuck and Co., May Department Stores and Fed-Mart. A broad-branched network of dealerships between New York and Los Angeles catered to replacement demand for tires from their U.S. production lines.

Then, square in the midst of its U.S. investment phase, Michelin was hit head-on by the sales crisis on the auto market across the Atlantic. New car registrations plummeted. So as not to idle their production facilities, the French were obliged to hawk their pneus in the United States at closeout prices, in the course of which they "lost their pants and shirts" as Goodyear chairman Robert E. Mercer taunted. "After 2 critical years, 1982 still did not bring the recovery we had been hoping for," corporate head Michelin complained, "on the contrary, the recession was especially hard-felt in the automotive industry." Things were scarcely any different in Canada and Brazil, where the French tiremakers had also settled in after making heavy investment outlays.

Yet the blows were raining heavy on the success-spoiled tiremaker not just in the New World but on the home front as well. The parent French company, Manufacture Francaise des Pneumatiques Michelin, alone accounted for almost half of the consolidated corporate losses with its own deficit of 1.6 billion francs. Still, there are two reasons why this loss should not be overestimated. For one, it was generated in large part by efficiency measures which had been undertaken earlier, such as the cutbacks of 3,000 jobs in France, 4,000 in Great Britain and 2,500 in Italy. On the other hand, French analysts have voiced the suspicion that the politically active and dyed-in-the-wool anti-Socialist Michelin had deliberately exaggerated the losses of the French operation so as to exemplify and dramatize the fatal consequences for French industry of the Mitterand government's leftwing economic and social policies. The Paris weekly LE CANARD ENCHAINE suspected that Michelin had consciously "inflated" its losses "so as not to have to pay the detested leftist government a single sou in corporate income tax--thanks to 5 years of reported losses."

The company itself sought to appease its affronted stockholders--no one apart from Francois Michelin in the end knows how great the family share of corporate stock is and how many shares are held publicly--with the prospect of a brighter tomorrow. The efficiency programs instituted at great expense in its European plants and the no less expensively developed U.S. market position, it was claimed

in Clermont-Ferrand, will pay off once the economy begins to move again. As a matter of fact, the company has been able to show continued gains despite its miserable annual report. While the world market for tires shrank by some 15 percent during 1982, Michelin's tire sales receded by only 7 percent in terms of volume. "With today's sacrifices we have paid for the seed corn which will bring us rich harvests tomorrow," was the solemn avowal of the practicing Catholic Francois Michelin, "when the right moment comes, we will be able to move ahead full speed at any time."

And there is scarcely anyone in the industry who seriously doubts this. For one thing, the prospects for the industry do not look bad. For another, thanks to intensive and heavily endowed research and development efforts, the tire company founded by Francois Michelin's grandfather Eduard, has traditionally held a strong edge over its international competition. The company's worldwide expansion is the direct result of the technological superiority of a product which has undergone a constant and painstaking process of improvement. More than 3 percent of corporate revenues--as compared to Goodyear's 2 percent--has been allocated to research and development by Michelin, the same company which produced the first steel-belted radial tire in 1948. In the French parent plant alone, some 5,000 staff are engaged in R and D, in an area so tightly guarded that even French President Mitterand was obliged to leave his own security guard at the gate when visiting its laboratories.

Nonetheless, the recession-caused difficulties of the tire company also revealed two structural weaknesses which could become dangerous for Michelin in the coming struggle of the tire titans for the world's markets. The first handicap--the consistent refusal to diversify and the nearly 100-year old cultlike celebration of the monoculture of the tire--are not accepted as such at the top levels of the concern's management. "We very deliberately produce only tires--and it is this limitation which is our strength," asserts director Michelin, who firmly swears by the future of the automobile. "The automobile is not going to disappear by itself," maintains the enthusiastic Citroen-2CV driver, "it is only going to die if someone kills it."

To French industry observers, this consistent self-restriction to a single product is nonetheless eerie. All the more so, since Michelin's competition--particularly Goodyear--has been very much concerned for opportunities for diversification so as to spread its corporate risks more broadly and not find itself vulnerable to the ups and downs of the health of a single production sector.

One thing that does worry Michelin analysts--and co-workers from its own ranks--even more is the nearly absolute dominance of the 56-year old heir of its founding father. Since 1959 the tight-lipped Francois Michelin, of whom it is not known whether he is the father of five or of six children, has been running this international enterprise with its 54 plants and 120,000 workers--27,000 of them in Clermont-Ferrand--like a small family business. Every remotely important decision within the internationally spread company which each day turns out some 350,000 tires and 225,000 inner tubes as well as 42,000 rims

and 600 tons of steel wire, not to speak of 70,000 road maps and travel guides, passes across the desk of its patriarch. And the virtue of thrift traditionally practiced in French family enterprises has become, as the Paris journal L'EXPANSION found, almost a fetish at Michelin. Envelopes are reused and in-house memoranda are printed on the reverse side of outdated Michelin road maps. One senior official of the company pointed with pride to the paper clips that he had produced at home in his spare time from wire scrap from the company's steel belted tire operation.

Until now the success of the eccentric French entrepreneur had served to prove him right. Now, however, there is no ignoring the criticism of the Michelin management style. The Paris daily, LE MATIN, with close links to the government, has stated that the tire company "has lost its wind;" it has challenged the corporate patriarch "to leave his citadel" and seek a dialog with the government. Yet even from the generally sympathetic business press which for years had sung the praises of his company, Francois Michelin has recently had to endure serious reproaches from which he might possibly draw one or another conclusion in the years to come. "In times of rosy prosperity Michelin's excessive centralism, pushing management each day to the brink of collapse, could still be tolerated," was the criticism of the business journal LE NOUVEL ECONOMISTE, "but when world markets are being shaken by convulsive storms, this gigantic enterprise can no longer be run like a small family business under sunny skies."

9878

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## DETAILS ON ECONOMIC AGREEMENT WITH HUNGARY

Athens ETHNOS in Greek 26 May 83 p 19

/Text/ Shortly before the departure of Prime Minister A. Papandreou and the Greek delegation from Budapest yesterday a joint communique was issued and a 10-year economic cooperation program agreement was signed between Greece and Hungary, as well as another package of agreements.

With reference to the latter, Deputy Minister of National Economic Giannis Pottakis told reporters that besides the agreement for the exemption of double taxation --that opens the way for mixed economy enterprises-- as well as two agreements in the agricultural field, we have something new that was made definite in Budapest:

- The purchase by Hungary of 400,000 tons of alumina a year on a long-term basis. The alumina will be produced with local sources of energy, i.e. in Greece, with geothermal energy from Nisyro and Milo. The project will produce some 4,000-5,000 new jobs and together with the plant that we have agreed to with the Soviets it will bring into the country foreign exchange amounting to 250 million dollars a year.

At the same time, Mr Pottakis announced a second important agreement, namely Hungary's acceptance of a Greek proposal to purchase 10,000 tons of stainless steel a year on a long-term basis. This development, namely the securing of a purchaser for products of the stainless steel plant, which has been agreed upon with the West German firm "Tyssen," constitutes a very positive point for our country.

'Package'

This agreement helps in solving the problem concerning the export of the Larko stainless steel and in this way Greek imports of stainless steel could be replaced with domestic production.

Besides the above, Mr Pottakis added that there is also a "package" of agreements which include the following:

- An agreement for the development of Ioannina Lake with the setting up of a fish hatchery, while another one will be set up in Nigrita.
- An agreement for the establishment of an animal breeding farm in Evrytania for the production of meat.
- Greenhouses utilizing geothermal energy will be established in northern Greece in mid-1983.

5671

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## BALANCE SHEET DRAWN FOR TRANSACTIONS WITH EASTERN BLOC

Athens OIKONOMIKOS TAKHYDROMOS in Greek No 20 (1515), 19 May 83 pp 17-19

/Article by Ath. Papandropoulos/

/Excerpts/ As pointed out in an important and interesting study prepared by KEEM /Export Research and Studies Center/, an organization that was set up by the Panhellenic Association of Exporters, there are two principal characteristics in Greek exports to socialist countries. The first point is the great percentage of agricultural products and raw materials in these exports with a corresponding small percentage involving industrial goods. The second important point is the dependence by the eastern countries on exports of certain of our products, primarily agricultural products, citrus fruits, cotton, sultana raisins and tobacco. The KEEM study emphasizes that while the overall level of our exports to the eastern countries is relatively high in comparison with EEC countries, nevertheless it must not be considered as excessive if the geographic position of the country is taken into consideration.

Also, another factor stressed in the KEEM study is that our trade exchanges with the eastern countries are characterized by a high level of bilateralism /word expressed in English/, i.e. a linking of exports with imports.

## Foreign Exchange Problems of the Eastern Countries

Another factor that limits Greek-socialist country trade relations, indeed, more generally speaking, the entire aspect of East-West economic relations, is the very unfavorable financial and foreign exchange position of many eastern countries which meet their payment obligations with great difficulty.

The above developments, therefore, despite whatever is being maintained, are anything but satisfactory for Greek exports to eastern countries. This is so because Greece exports to them goods that are subject to import restrictions and that in the last analysis are being offered on a large scale on the international market. Consequently, Greek exports, indeed, have no vital significance for the eastern countries. To the contrary, Greek imports from them include industrial goods and petroleum and consequently, if they cover strategic areas (such as telecommunications, etc.) not only are they vital but in a second phase they could become a serious trump card for putting pressure on us and result in an enlargement of our trade debit vis-a-vis the eastern countries. For that reason

it would be proper if the overall strategy of economic relations with the eastern countries were to be worked out in an in-depth fashion and /not/ to be based more on sentimental impulses or to solutions of necessity.

From this aspect, one first important factor of the general strategy that could be drawn up is a revamping of export products and a gradual replacement of agricultural products with more industrial goods. Also, some limits must be placed on the exchange of poor quality citrus fruit with doubtful quality technological products. Recent East-West disputes over the providing of western technology to the Soviet Union should convince even those more naive persons that the lag of the eastern countries in the technological field is beyond question. By extension, any form of binding of Greece to outdated technologies would not only constitute a lag factor but would also create conditions for economic ties of dependence at a lower level than those which could be established with, for example, EEC countries. Finally, it is needless to emphasize that in economic relations with the so-called socialist countries, the trade weakness of the trading partners becomes a strong political weapon in their hands.

#### Percentage Levels of Our Exports in 1981

On the basis of data provided by KEEPM in the study we have referred to, the greatest characteristic point of our exports to the eastern bloc countries are the following:

- Dollar-wise, our exports to the eastern countries dropped by almost 35 percent, something, however, that must be partly attributed to Greece's joining the EEC on 1 January 1981 and the particular conditions that ensued from that fact. Specifically, according to existing data, unusually large amounts of exports to the eastern countries were realized in December 1980 --in view of the abolition of clearings-- exports which ordinarily would have taken place in the first months of 1981. Consequently, the amount of 1980 exports was artificially blown up and correspondingly diminished in 1981. If the 12-month period December 1980-November 1981 is examined and compared with the corresponding previous period (December 1979-November 1980) it is noted that the drop is much smaller (-9 percent). (Nevertheless, the latter percentage is magnified in the opposite direction as it appears that certain products --primarily chemical products-- were recorded by ESYE /National Statistical Service of Greece/ in December 1980 despite the fact that they had been realized over the entire year).

The biggest drop was observed in exports to Vietnam (-64 percent), Albania (-58 percent) and Poland (-57 percent). A 40-50 percent drop was noted in exports to Czechoslovakia, the GDR and Hungary, while a smaller percentage was noted in connection with China, Yugoslavia, the USSR, Romania and Bulgaria. Nevertheless, it must be pointed out that this picture changes dramatically for the better in all cases except the GDR, Hungary, Vietnam and Albania if the period December 1980-November 1981 is compared with December 1979-November 1980. Specifically, an increase was noted in exports to China (+ 97 percent), Poland (+14 percent), Romania (+7 percent), Bulgaria (+8 percent) and the USSR (+4 percent).

- Despite the implementation of the treaty by which Greece joined the EEC on 1 January 1981 that involved the abolition of clearings, these bilateral accounts continued as a rule to be in effect during 1981 on the basis of special agreements and protocols. Thus, in 1981, protocols amounting to 261 million

dollars through clearings were realized as compared with 332 million dollars in 1980 (these figures of the Bank of Greece are not comparable to the ESYE data). Specifically, it is observed that exports through clearings increased in the case of Poland and China, while they decreased slightly only in the case of Czechoslovakia and Romania. In those cases where they were radically decreased (GDR, Bulgaria, Albania, and to a lesser extent Hungary), they continue to represent large amounts. It is observed that agricultural goods (tobacco, citrus fruit, raisins, cotton, juices, olives and wheat) and also certain industrial products (steel, textiles and fertilizers), as well as ores (bauxite, lead ore) were exported through clearings. It is evident that these exports, through clearings, improved our export record in 1981 and underscores the fact that that year was a transition one and does not warrant making certain conclusions over the consequences of the abolition of the clearings.

#### Decrease of Greek Imports

Within the framework of our trade with the eastern countries noteworthy too is the substantial drop of Greek imports from them in 1981. This drop that amounted to 20 percent would actually be much greater (42 percent) if imports of crude petroleum from the USSR (which in 1981 were over three times in value because Russian and not Libyan petroleum was purchased from the Soviets) were not included. The most striking results are those involving Yugoslavia (-78 percent), Poland (-65 percent), Bulgaria (-65 percent) and Albania (-52 percent). Also very feeble were imports from the remaining countries, except for the USSR (33 percent increase or 119 percent if the crude petroleum is included). The drop in imports is due first of all to the radical restrictions on the import of meat and dairy products, primarily from Yugoslavia, Hungary and Poland, as well as a cutoff or drop in the import of vessels (from Yugoslavia, Poland, East Germany, Romania and Bulgaria). Finally, it should be pointed out that in the import framework the picture does not change much because of the peculiar situation prevailing in December 1980: overall, if the 12-month period December 1980-November 1981 is examined, the drop is restricted from 20 percent to 15 percent, while the picture is significantly influenced by the cases of Hungary (-3 percent instead of -36 percent) and Bulgaria (-46 percent instead of -36 percent).

The result of these developments is the appearance of a relatively large credit surplus in our trade with three of our big trading partners, namely Yugoslavia, Bulgaria and Romania, as well as Poland. As for Poland, the credit surplus is due on the one hand to aid and on the other hand to that country's weakness in exporting goods. Nevertheless, it is also being noted that there perhaps is also some unwillingness on its part to engage in exports since part of the value of exports is used for the liquidation of its liabilities in clearings (sulphur which is an exception is the only product which has continued to be normally exported).

- Trade with eastern countries presents peculiarities and difficulties that is natural to discourage any new exporter and to deter him from that direction. To this must be added their as a rule unfavorable negotiating position due to the "multi-seller" - "monopsony" situation that prevails in these exports. Consequently, the state (OPE /Organization for Exports Promotion/, etc.) must make vigorous efforts to help the exporter to eastern countries in becoming familiar with the prevailing system and its practices, to inform him about



Consequently, the state (OPE /Organization for Exports Promotion/, etc.) must make vigorous efforts to help the exporter to eastern countries in becoming familiar with the prevailing system and its practices, to inform him about existing possibilities, and finally to support him in possible negotiations. This effort constitutes a condition for making a difference in the relevant exports.

Also, according to KEEM, our export policy to eastern countries must go beyond the constant inconsistency in short-term and long-term goals that results (in an endeavor to mitigate immediate problems) in permanently reproducing the greater problems of our exports. To the extent where the state policy will not be limited to guarantees of the placement of various undisposed products for every period but will pursue with the same persistence the necessary structural changes that would not have immediate results and that consequently would not be at the epicenter of attention of the interested parties, it is believed that it is possible to prevent a "sudden landing" that sooner or later is inevitable if the present situation does not change. Today, the immediate and serious danger must be averted so that the necessary time might be gained for more permanent solutions.

Moreover, the EEC can also play an important role in these solutions, to the extent the latter would want to recognize certain Greek characteristics in this area.

TABLE 1: TRADE BETWEEN GREECE AND SOCIALIST COUNTRIES  
(1980-1981)

|                           | EXPORTS                  |       |                     | IMPORTS            |      |                      |                                     |  |
|---------------------------|--------------------------|-------|---------------------|--------------------|------|----------------------|-------------------------------------|--|
|                           | Value (in mill. dollars) |       | % Change            | Value (in mill.\$) |      | % Change             | 1981/80 w/o crude petrol. & vessels |  |
|                           | 1981                     | 1980  |                     | 1981               | 1980 |                      |                                     |  |
|                           | 1981                     | 1980  | 1981 Dec. - Nov. 81 | 1981               | 1980 | 1981 Dec.80 - Nov.81 | 1981/80 w/o crude petrol. & vessels |  |
|                           |                          |       | 1980 Dec. - Nov. 80 |                    |      | 1980 Dec.79 - Nov.80 |                                     |  |
| USSR                      | 74.0                     | 90.9  | 16.8                | -19                | +4   | +119                 | +2                                  |  |
| GDR                       | 27.9                     | 50.6  | 5.1                 | -45                | -41  | (+33)*               | -19                                 |  |
| Poland                    | 39.0                     | 90.6  | 34.8                | -57                | +14  | -33                  | -41                                 |  |
| Czechoslovakia            | 40.9                     | 76.8  | 21.1                | -48                | -9   | -65                  | -64                                 |  |
| Hungary                   | 35.0                     | 68.7  | 8.3                 | -40                | -31  | -24                  | -14                                 |  |
| Romania                   | 76.3                     | 93.7  | 22.1                | -19                | +7   | -36                  | -3                                  |  |
| Bulgaria                  | 52.9                     | 63.5  | 12.7                | -17                | +8   | -31                  | -39                                 |  |
| Vietnam                   | 15.5                     | 42.7  | 7.4                 | -64                | -50  | -65                  | -46                                 |  |
| Cuba                      | 0.0                      | 0.0   | -                   | ++                 | ++   | ++                   | +28                                 |  |
| Mongolia                  | -                        | -     | -                   | ++                 | ++   | -96                  | -25                                 |  |
| Albania                   | 12.1                     | 28.6  | 3.6                 | ...                | -54  | -100                 | -100                                |  |
| China                     | 10.0                     | 13.1  | 5.2                 | -58                | +97  | -52                  | -42                                 |  |
| Korean DPR                | 0.0                      | -     | -                   | -24                | ++   | -20                  | -20                                 |  |
| Yugoslavia                | 75.1                     | 95.3  | 22.5                | ++                 | ++   | -93                  | -98                                 |  |
| COMECON -                 | 346.1                    | 524.8 | 120.9               | -21                | -2   | -78                  | -73                                 |  |
| Europe                    |                          |       |                     | -34                | -5   | -3                   | +2                                  |  |
| COMECON countries         | 361.6                    | 567.5 | 128.3               | -36                | -9   | (-31)*               | -26                                 |  |
| "Clearing" countries 1980 | 294.2                    | 475.8 | 112.9               | -38                | -9   | -3                   | -32                                 |  |
| Total social. countries   | 453.8                    | 704.7 | 159.6               | -35                | -9   | -42                  | -15                                 |  |
|                           |                          |       |                     |                    |      | -20                  | -38                                 |  |

\* Numbers in parentheses do not include imports of crude petroleum

**SOURCE:** ESYF data

TABLE 2: GREEK-SOCIALIST COUNTRIES TRADE BALANCE  
1980-1981

|                           | Trade Balance |        | Mill. Dollars & %<br>Percentage of import and<br>export coverage |           |
|---------------------------|---------------|--------|--|-----------|
|                           | 1980          | 1981   | 1980   | 1981      |
| USSR                      | -60.3         | -257.0 | 60   | 22        |
| GDR                       | -28.4         | -24.8  | 64   | 53        |
| Poland                    | +16.5         | +12.8  | 122  | 149       |
| Czechoslovakia            | + 4.5         | -14.5  | 106  | 74        |
| Hungary                   | -10.5         | - 9.8  | 85   | 78        |
| Romania                   | +22.2         | +27.3  | 131  | 156       |
| Bulgaria                  | -30.4         | +19.7  | 68   | 159       |
| Vietnam                   | +42.7         | +15.4  | +++  | 282 times |
| Cuba                      | - 0.5         | - 0.0  |  | 107       |
| Mongolia                  | - 0.1         | -      | 0  | ...       |
| Albania                   | +18.1         | + 6.9  | 269  | 233       |
| China                     | -12.5         | +10.6  | 51   | 48        |
| Korean DPR                | - 8.6         | - 0.1  | 0  | 14        |
| Yugoslavia                | -65.0         | +38.9  | 59   | 208       |
| COMECON countries-        |               |        |  |           |
| Europe                    | -86.4         | -246.4 | 86   | 58        |
| COMECON countries         | -44.2         | -230.9 | 93   | 61        |
| "Clearing" countries      | -20.5         | + 7.0  | 96   | 102       |
| 1980                      |               |        |  |           |
| Total socialist countries | -112.3        | -195.8 | 86   | 70        |

\* Imports of electric power not included

SOURCE: ESYE statistics

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TABLE 3: BREAKDOWN OF CERTAIN PRODUCTS EXPORTED TO SOCIALIST COUNTRIES  
1980

|                               | % of overall exports of products mill. \$ |                   |                        | Geographic breakdown of exports to socialist countries |  |
|-------------------------------|---|-------------------|------------------------|--|--|
|                               | Socialist countries                       | COMECON countries | "Clearing" countries * | Level of exports to socialist countries                | Primary Customers  |
|                               |   |                   |                        |  | (% of exports to socialist countries)                    |
| Citrus fruit                  | 93  | 87                | 63                     | 99.3   | USSR (24), Romania (23), Poland (17)                     |
| Cotton                        | 85  | 68                | 80                     | 35.5   | Czechoslovakia (53), Poland (19), Albania (15)           |
| Sultana raisins               | 72  | 69                | 69                     | 71.7   | Hungary (32), Poland (26), GDR (21)                      |
| Processed & unprocessed hides | 70  | 52                | 57                     | 42.7   | Romania (34), Yugoslavia (13), China (13)                |
| Bauxite                       | 66  | 65                | 38                     | 32.7   | Romania (57), USSR (41)                                  |
| Fruit & vegetable juice       | 64  | 57                | 55                     | 25.2   | Poland (33), GDR (27), Hungary (11), Czechoslovakia (10) |
| Flour products                | 45  | 45                | 0                      | 42.4   | Vietnam (100)  |
| Refractory brick              | 39  | 36                | 39                     | 9.9  | Romania (67), Bulgaria (20), Albania (9)                 |
| Tobacco                       | 33  | 33                | 21                     | 67.3   | USSR (35), Poland (29), Czechoslovakia (14)              |
| Iron & steel products         | 26  | 5                 | 11                     | 58.4   | Yugoslavia (55), Albania (24), Hungary (8)               |
| Magnesium carbonate           | 18  | 5                 | 5                      | 17.2   | Yugoslavia (72), Hungary (13), GDR (10)                  |

\* Countries with which clearing agreements prevailed until 31 December 1980  
SOURCE: ESYE statistics

## CAMPESA EYES FUTURE CHANGE FOR EEC ENTRY

Madrid ABC in Spanish 28 May 83 p 67

[Text] Madrid--the future was the main topic of the stockholders' meeting of the Oil Monopoly Leaseholding Company (CAMPESA) held yesterday. It was the first official act in the process of change this corporation must undergo due to Spain's future membership in the European Economic Community. Without revealing the shape of the company in the near future, because it has not yet been decided among other reasons, CAMPESA's president, Jose Maria Amusatogui, outlined its main features, saying the company would continue to be a distributing and marketing entity. Negotiations beginning soon will determine its final structure and importance at the national level.

For example, the possible transfer of the entire distributing network to CAMPESA ownership was not discarded. Also, it was explained that the dividend would remain the same--despite profits having been higher than the previous year--as part of a policy that takes into account large investments that will have to be made to adapt to the new structure.

## EEC Necessitates Change

In his speech, company president Jose Maria Amusatogui, who is also vice president of the National Hydrocarbon Institute [INH], pointed out that substantial changes will have to be made to comply with articles 37 and 90 of the Treaty of Rome. These articles require EEC member countries to modify trade monopoly schemes so as to assure the free circulation of the merchandise, services, capital and people that make up the philosophical, political and economic basis upon which the EEC operates.

Although both the president of the company and INH President Caludio Boada considered the topic a delicate one, they felt optimistic about the changes being carried out satisfactorily. Jose Maria Amusatogui based his opinion on five main factors.

The first is the indisputable experience of the company (founded in 1927 with its current structure) in the distribution and marketing of petroleum products, a field in which the company has had a monopoly.

The second is its ability to benefit from the experience of other EEC countries which have also had serious difficulties adapting their particular schemes; that is, by using legitimate regulations and practices, they have successfully protected the interests of national companies against the power of the large multinationals.

Third, the president of CAMPSA emphasized the great consistency achieved in the public sector in the area of hydrocarbons since the creation of INH and the experience and efficiency of private refineries, with whom an understanding will have to be reached. Finally, CAMPSA's president stressed trust in the government's political will to promote these solutions. This point was also made by INH President Caludio Boada, who noted that although CAMPSA and INH would express their opinions regarding the sector's structure, the government will be the one to actually modify the current situation through legislation.

It does not seem that the adoption of this legislation will be delayed significantly because, among other reasons, the period of adaption to the Community will not last more than 7 years, which is less than was originally estimated. The exact date is uncertain due to the negotiations that must be carried out with private refineries. However, legislation should be established before this summer so that the new structure and its consequences can be included in the future National Energy Plan, which will be presented to parliament next September.

Everything seems to point toward a national distribution company (primary and secondary networks) with public and private participation.

Confirming information published in yesterday's edition, the president of CAMPSA, who announced the start of an audit by Arthur Andersen, reported profits of 4.89 billion pesetas, an increase of almost 2 billion over fiscal year 1981. The stockholders' dividend will be the same as last year's, 11.3%. This percentage improves if capital expansion (1 per 25) is added to it.

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## AGUIRRE SEEKS ALTERNATIVES TO END ECONOMIC CRISIS

Madrid YA in Spanish 25 May 83 p 25

[Text] "The approach to fighting the economic crisis is erroneous because inflation cannot be reduced through monetary policy alone. We have been using this system since 1973 and everyone can see the results: inflation that has hardly fallen at all and unemployment percentages that rise year after year. Shouldn't we try something else? I am not saying we should abandon what is being done, but I am saying that we cannot make progress if economic growth is slowed. There is hardly any private investment, and when such investment is attempted, as in the case of Banesto's [Spanish Credit Bank] 18 billion peseta investment in the Acerinox factory, the municipal authorities create problems that keep us from improving some facilities. Once again I insist that a public investment of 350 billion pesetas could produce economic recovery. I am not blaming the current government, because it has inherited this situation. But it should not continue to follow the same course. This government claims to be very secular, but it seems to believe in miracles." These were the words of Jose Maria Aguirre Gonzalo at Banesto's general stockholders' meeting, which, following tradition, filled the Sports Arena to capacity.

The president of Banesto, articulate as always, insisted once again that Spanish economic problems could not be solved by attempting to control inflation alone and ignoring the other three variables: unemployment, economic activity and the balance of payments. According to Jose Maria Aguirre, all of these must be dealt with simultaneously.

With respect to the country's economic future, he said that nobody knows what is going to happen and that it is difficult to believe some of the predictions being made. "It is as though someone had claimed to have guessed Sophia Loren's future by looking at her first communion picture." In the words of Banesto's president, the Spanish economy has had a shaky financial year. Fundamental imbalances such as unemployment, inflation and deficits in the balance of payments and in public management have been at levels that do not bode well for rapid solutions.

Jose Maria Aguirre began his speech by responding to rumors of several months ago that Banesto was in a precarious position due to its loans to Latin American banks and companies. He categorically denied those rumors,

assuring his audience that the bank was in very good health and in an enviable financial position. To confirm this, he cited statistics from the last fiscal year, which showed that profits, after taxes and deductions for amortization, indemnization, etc., had reached 13.377 billion pesetas, 11.5 percent higher than fiscal year 1981. He announced a dividend of 60 pesetas per share and the granting of one bonus share for each 10 regular shares.

He also stated that although Banesto had always been opposed to external audits, because "it is very expensive and it distracts the staff, keeping them from concentrating on their work," we have accepted the Bank of Spain's order and are already carrying out an audit with a completely reliable firm. Jose Maria Aguirre insisted that the basis for economic progress lies in productivity and modernization of technology, areas in which we have advanced very little.

#### Garnica To Follow Aguirre?

In other matters, the news or rumor published by "El Nuevo Lunes" that Pablo Garnica will succeed Banesto's current president was circulating at the general stockholders' meeting. This would confirm predictions regarding succession. Jose Maria Sainz de Vicuña, "number three" at Banesto, affirms in that same report, "There will be no problem with succession, for matters are very clear despite any attempts to complicate them. Pablo Garnica will succeed Jose Maria as president when the latter decides it is time. Furthermore, Pablo has been a pillar of this bank since he began to hold positions of responsibility and he is more of a banker than any of us. The bank depends on his expertise." Along with these future changes, Jose Maria Sainz de Vicuña would become bank counsel.

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## RECENT REDUCTION IN PRICE OF MONEY

Madrid ABC in Spanish 12 May 83 p 57

/Text/ Interest rates on loans underwent a slight decline in recent months, as indicated in the latest official data which all financial institutions must render monthly to the Bank of Spain. At the close of the first quarter, the average prime rate for one-year loans stood at 16.83 percent at banks and 14.26 percent at savings and loan institutions.

This presupposes a slight decline in the price of money during the last few months of 1982. According to sources consulted by ABC, this decline is due to agreements reached by the country's seven largest banks toward the end of last year to lower the cost of credit, which led to an immediate, though small, decline in the interest rate on loans.

As can be seen from the official statistics, the prime interest rate--the rate offered by financial institutions to their best customers--for 3-month loans is holding at slightly above 15.5 percent at the majority of banks, while savings and loans are offering 13.27 percent. For 1-year loans, the price of money fluctuates between 14.26 percent at savings and loans and 16.83 percent on the average at banks. For 3-year loans, the rate ranges from 15.34 percent of savings and loans and 17.60 percent at banks. The drop in the price of money has been most notable at the level of 1-year loans.

If the price of loans and credits is broken down by institution, it can be seen that savings and loans are offering much lower interest rates than banks, with rates even lower than 12 percent for 3-month loans and 13 percent for 1-year loans at the former. The price offered by the three largest institutions ranges from 15 percent for 1-year loans at La Caixa to 13 percent at the Caja de Madrid and 16 percent at the Caja de Barcelona.

As far as banks go, commercial banks are offering better terms than industrial banks, and foreign banks, whose interest rates are much higher than average, come in last. Nevertheless, the cost of loans from foreign institutions varies almost daily, depending on money markets in Spain as well as abroad.

Among the seven largest financial institutions, the cheapest loans are offered by Bilbao and Vizcaya, which offer 1-year loans to preferred customers at 16.5 percent. The differences among the seven are nevertheless virtually negligible.

Price of Money  
(Loans and Credits)

| Institutions        | 3-month<br>loans | 1-year<br>loans | 3-year<br>loans |
|---------------------|------------------|-----------------|-----------------|
| <u>Banks</u>        |                  |                 |                 |
| Banesto . . . . .   | 15.00            | 17.00           | 17.50           |
| Central . . . . .   | 15.50            | 17.00           | 18.00           |
| Hispano Americano . | 15.00            | 17.00           | 18.00           |
| Bilbabo . . . . .   | 15.00            | 16.50           | 17.00           |
| Vizcaya . . . . .   | 15.00            | 16.50           | 17.50           |
| Santander . . . . . | 16.00            | 17.00           | 18.00           |
| Popular . . . . .   | 15.00            | 17.00           | 17.50           |
| Average 7 largest   | 15.21            | 16.86           | 17.64           |
| Commercial Banks    | 15.34            | 16.55           | 17.44           |
| Industrial Banks    | 15.65            | 16.94           | 17.78           |
| Foreign Banks       | 15.65            | 16.94           | 17.97           |
| All Banks           | 15.68            | 16.83           | 17.60           |
| Savings and Loans   | 13.27            | 14.26           | 15.34           |

Source: Bank of Spain

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## EMPHASIS TO BOOST TUNISIAN ECONOMIC RELATIONS

Istanbul DUNYA in Turkish 24 May 83 p 3

[Text] Ankara (DUNYA) -- Will the visit of Tunisian Prime Minister Mohamed Mzali beginning today add a new dimension to the economic relations which, in spite of all efforts, remain inadequate? It is hard to give a quick, affirmative answer to this question. The economic cooperation between the two countries that began in 1958 is far from satisfactory to either side despite subsequent agreements. The failure of trade volume to exceed even as low a figure as \$42 million is demonstrative of important impediments to relations.

Agreements in both areas of relations between the countries, whether political or economic, doubtless express a concrete link. But the pressure of a multitude of factors makes it difficult to strengthen these ties and make solidarity real between two developing nations whose global goals are the same.

Turkish-Tunisian relations have always been taken up within a framework of good will and, through concrete efforts in recent years to turn a deep friendship based on shared history into solidarity and cooperation, some promising steps have been taken.

## Agreements

With the 1958 trade agreement between Turkey and Tunisia, certain reciprocal commercial facilities were provided for the first time and it was decided to make an effort to increase both the amount and value of commercial transactions.

Following renewal of the trade agreement in 1967, the governments of the two nations signed a protocol intended to develop economic and trade relations calling for the joint preparation of projects by Turkey and Tunisia involving sponge recovery, tunny canning, the textile sector, the superphosphate industry and air and sea transportation facilities.

A new agreement was signed in 1969 on the section of this protocol involving maritime transport. This agreement provided for reciprocal customs facilities and the lifting of practices restricting each other's maritime activities on condition that each adhered to international rules.

A later annex to the protocol that went into effect in 1967 revised the trade volume upward. According to this agreement, which became effective in 1977, there was to be no restriction of quantities in exports and imports. The commodity lists were also expanded. Turkish exports, which at first were limited mainly to agricultural products, began to include industrial finished products as well. Likewise, economic talks which took place in the form of preparations for a joint commission meeting in June 1981 dealt with the sluggish trade volume and called for joint efforts toward development of areas for economic cooperation.

By 1981 an economic cooperation agreement had been drawn up, based on the realization that extensive cooperation was possible in industry, trade and technical areas. This agreement, drawn up in outline, was an accord on initiating technical work for multilateral projects.

#### Joint Projects

A chemical fertilizer complex heads the list of projects intended for joint realization by the two countries. However, Tunisia is a major phosphate exporter and wants to put a value higher than international market prices on the fertilizer inputs, while Turkey proposes "implementation of a special price to make possible the economic operation of the facilities to be built." The project is now at the stage of ironing out disagreements between the sides.

The second project in the study and preparatory stage is the building of a refrigerator compressor factory. Turkey, in promising technical assistance for the facilities, intended for building in Tunisia, has taken on the feasibility studies in matters such as level of investment for the project, major equipment lists, figuring the operational outlay at various stages of integration, engineering services and the solution of financing problems involving patents and know-how. Meanwhile, a delegation of Tunisian experts came to Turkey in October 1982 for a review of the project.

There is also a project on the agenda for the building of a plate glass factory in Tunisia. Work is in progress for formulation of a cooperation program by the Tunisian national industrial center for research (NEI) and the Turkish Bottle and Glass Factories Corporation. An agreement has also been signed between the NEI and the Pancar Motor Company for a "Deisel Motors" building project.

Turkey-Tunisia Trade Volume  
(1978-1982/\$ million)

| Year | Imports | Exports | Foreign Trade Volume |
|------|---------|---------|----------------------|
| 1978 | 10.8    | 23.5    | 34.4                 |
| 1979 | 7.9     | 8.4     | 16.4                 |
| 1980 | 18.5    | 13.2    | 31.7                 |
| 1981 | 30.0    | 15.0    | 45.1                 |
| 1982 | 17.6    | 24.3    | 42.0                 |

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## PUBLIC FIRMS SLATED FOR PRIVATE SECTOR TRANSFER

Istanbul DUNYA in Turkish 24 May 83 p 1

[Article by Vecdi Sevig: "Priority Given 59 Public-Partnership Firms for Turn-Over to Private Sector"]

[Text] The Council of Ministers was authorized to turn over public businesses to the private sector when the edict on reorganization of the State Economic Enterprises [SEE] became effective. The reorganization enables the Council of Ministers to turn over all utilities in public hands to the private sector subject to the terms of the edict.

The "Edict on State Economic Enterprises and Public Utilities" became effective last week and largely incorporates the SEE model proposed to Turkey by the World Bank. The edict and its annex make it possible for all public utilities now on the active list to be turned over partially or completely to the private sector by decision of the Council of Ministers. Though not named as such in the reorganization, both the enterprises and the public utilities are "holding companies" for all intents and purposes. Business operations are incorporated as "limited partnerships and shareholds." "Corporations" which are overly dependent on an enterprise as business operations and which are fully capitalized by the state may be converted into limited partnerships by decision of the Council of Ministers. The Council of Ministers may also decide the disposition of shares of limited partnerships capitalized more than 50 percent by the state. Thus, the edict makes it possible, after completing the legal procedures in cases requiring it, to transfer to the private sector a part of the shares of corporations which were founded as enterprise subsidiaries.

After corporations are converted to the status of a limited partnership in which the state owns more than half the shares, they may then gain the status of a private company by decision of the Council of Ministers under article 37/2 of the edict, whereby "the Council of Ministers decides the disposition of shares belonging to an enterprise" which comprise the state's share in the limited partnerships. Thus it takes two separate decisions to convert business operations to enterprises and then private-sector establishments.

According to information obtained from the authorities, the first implementation in this area is expected in the lignite works. The Lignite and Coal Works, which were earlier combined under a single administration called the Turkish Coal Works,

are divided into two groups in the reorganization: [1] lignite corporations subsidiary to the Turkish Coal Works, itself defined as a separate enterprise, which procure inputs for the Turkish Electric Power Enterprise powerplants and [2] all others. The latter may eventually be transferred to the private sector by following the above procedures.

The revision grants broad powers to the Council of Ministers in transferring existing state shares to the private sector, but also introduces limits on state participation henceforth. Accordingly, the state may not hold less than 26 percent of shares in any organization. Also, the 26-percent minimum is applicable only by state enterprises or limited partnerships. That is, if state participation in a private entity is less than 50 percent, no more than one public organization may be represented in it.

Under provisional articles of the edict, "shares now held by the Treasury or various state organizations and agencies" will be transferred within 6 months "to the enterprise or public utility or limited partnership closest to the holder's field of activity." Shares whose sale is deemed necessary will be liquidated within 3 years, except in special cases.

Firms not meeting the 26-percent minimum for state participation as introduced by the reorganization include Arcelik, Canakkale Ceramics, Dosan, National Reassurance, Turkish Automotive Industry and the Grape and Tobacco Producers Banks.

Firms Slated for Priority Transfer  
[Shareholders in ( )]

MEDITERRANEAN NEWS AGENCY (Anadolu Bank)  
Ankara Peoples Bread and Flour Mill (TMD [expansion unknown])  
Arab-Turkish Bank (Anadolu Bank)  
Arcelik (State Equipment Office)  
Azim Bolt Industry and Trading Corporation (MCI [Machine and Chemical Industry])  
Aydin Textiles (Agricultural Bank, Sumer Bank)  
Bandirma Fodder Mill (Fodder Industry)  
Greater Anatolian Mines Corporation (Black Sea Copper)  
CAY-SAN [tea industry] (Tea Producers Organization)  
Ceyhan Industry and Trading Corporation (Agricultural Bank)  
Canakkale Ceramics Factories Corporation (Turkish Electric Power Enterprise [TEK])  
Cukurova Electricity (TEK)  
Cukoyem Mersin Fodder Mill (Fodder Industry)  
Dogan Spare Parts Manufacturing Corporation (MCI)  
Dogu Edible Oil Industry and Trade Corporation (Agricultural Bank)  
Dosan Canning Industry and Trading Corporation (Turkish Sugar Factories)  
Eskisehir Cement Factory Corporation (Retirement Fund)  
EUROFIMA [expansion unknown] (TSR [Turkish State Railways])  
General Metal Industry and Trading Corporation (Sumer Bank, State Industry and Worker Investment Bank)  
Isparta Fodder Mill (Fodder Industry)  
INTERFRIGO [expansion unknown] (TSR)  
INTELCAT [expansion unknown] (Post, Telephone and Telegraph Administration)

Istanbul Procelain Industry Corporation (Tourism Bank)  
 Worker Credit Bank (Agricultural Bank, Coal Works, Sumer Bank)  
 Isbir Carsancak Food Industry Corporation (Soil Products Office)  
 Kayseri Fodder Mill Corporation (Fodder Industry)  
 Konya Area Milk Industry (Dairy Industry Association)  
 Kutahya Porcelain Industry Corporation (Sumer Bank)  
 Maksan Malatya Machine Industry Corporation (Turkish Electro-Mechanical Industry Corporation)  
 Makisa Fodder Mill Corporation (Fodder Industry)  
 Mars Industry Corporation (Sugar Factories)  
 National Reassurance Trading Corporation (Treasury, TSR, Turkish Real Estate Credit Bank)  
 Mus Licorice Industry and Trading Corporation (Sugar Factories)  
 OBA [expansion unknown] Milk Plant Corporation (Dairy Industry Association)  
 Pakistan Security Papers Ltd (Turkish Cellulose and Paper Factories Administration)  
 PETAN [expansion unknown] (Petroleum Office)  
 Peteter Chemical Industry and Trading Corporation (Petro-Chemical Corporation)  
 PETROL-TUR (Petroleum Office)  
 POLSAN [expansion unknown] (Turkish Cellulose and Paper Factories Administration)  
 RABAK [electrolytic copper company] (Anadolu Bank)  
 Synthetic Yarn Factories Corporation (Sumer Bank)  
 SISTAS, Siirt Licorice Industry and Trading Corporation (Sugar Factories)  
 Sivas Fodder Mill (Fodder Industry)  
 Soda Industry (Sumer Bank)  
 Agricultural Equipment Industry Corporation (Turkish Agricultural Equipment Board)  
 Turkish Automobile Factory Corporation (MCI)  
 Tugsan, Gemerak Soil Industry Corporation (Sumer Bank)  
 Turkish Automotive Industry Corporation (MCI)  
 Turkish Commercial Bank (Treasury, Sumer Bank, Turkish Real Estate Credit Bank, Agricultural Bank)  
 Grape Producers Bank (Treasury, Eti Bank, Agricultural Bank, Sumer Bank)  
 Tobacco Producers Bank (Treasury, Agricultural Bank)  
 Tunst Travel Corporation (Turkish Airlines)  
 Umumi Department Stores Corporation (Sumer Bank, Turkish Real Estate Credit Bank)  
 Yemtas Fodder Industry Corporation (Fodder Industry)  
 Yeni Geltek Coal and Mining Corporation (Sugar Factories)  
 Yesilova Rug Wool Yarn Factory Trading Corporation (Mohair and Fine Wool Corporation)  
 Yifas Yesilyurt Yarn and Woven Fabrics Corporation (Sumer Bank)  
 Yibitas Craft Paper Industry and Trading Corporation (Turkish Cellulose and Paper Factories Administration)

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CSO: 3554/299

## OZYORUK ON DEARTH OF QUALIFIED PERSONNEL

Istanbul TERCUMAN in Turkish 16 May 83 p 11

[Article by Mukbil Ozyoruk: "Shortage of Technical Personnel"]

[Text] We are all aware that our country has a number of 'shortages' that are hard to put into words. And, perhaps because there is no way of determining exact figures, we usually try to round things off and express these shortages in terms of 'millions.'

As average citizens, we can divide our country's shortages into two categories. First, there are seasonal shortages like the current water shortage in our dams. Granted, our country has not received much rainfall this year and our people are still praying for rain, but the fact is that we spent weeks and even months of the winter of 1982-1983 buried under snows. With the approach of spring and warmer weather, we began hearing about the danger of flooding, and we read that countermeasures were even being taken. As it turns out, there have been no floods, no overflowing river banks, and to top it all off, the water levels in our dams have dropped to the danger point. As a citizen, I find myself truly baffled as to where the water from all of the snows that blanketed our country has gone. Where is all that water that had caused fear of flooding and had led to the undertaking of countermeasures?

The second category of shortages experienced by our country is quite different from the first. These are major, chronic shortages that drive us to frustration and despair--shortages which the average citizen surely cannot resolve. Topping the list of these is unemployment, i.e. the jobs shortage. Let's leave it to our economists to talk about measures to eliminate unemployment and create new job fields. We all know that the overwhelming majority of the unemployed are 'unskilled' workers, and that opening up job fields for the 'unskilled' is another matter entirely. On the other hand, the problem right in front of our faces is this: We see ads in the newspaper showing that the private sector is in need of 'skilled' workers. Though it is impossible to estimate the extent of that need, the fact is that



the public sector is feeling the pinch even more when it comes to 'skilled' personnel.

Indeed, a number of areas in the public sector have been experiencing a growing shortage of technical personnel particularly over the past few years. Since we are not about to see immediate results from the steps being taken by the Board of National Education and the Higher Education Council to train technicians, what are our alternatives for meeting today's needs in this sector and stabilizing the ever-increasing need for public services?...This problem currently has a lot of officials from Public Economic Enterprises racking their brains.

The most striking examples of a dearth of skilled personnel in the public sector are found in the field of electronics. State agencies need skilled electronic engineers, especially high-level specialists. Rather than meeting this ever-growing need, they are losing people right and left. Every day the need for computerization grows greater. The fields of application for electronic instruments and devices, as well as other related equipment, are constantly expanding. Still, the few personnel we do have in this field, in which we are a bit behind the times anyway, are slipping away into the private sector largely because they cannot profit from the wage systems in effect. The private sector, with its wage flexibility, is currently able to hold onto some of these people, but it cannot stop others from joining the 'brain migration caravan' and taking their talents out of the country. Even if efforts to stop this migration were somewhat successful, this still would not come close to compensating for the need for such personnel in the public sector. Public services that must be performed by personnel of this caliber are feeling the squeeze more and more and falling victim to 'incompetency.'

What are our alternatives? In any case, we cannot wait for new personnel to be trained. We must find some alternatives to meet our immediate needs, and we are not about to find these alternatives in the principle of 'wage balancing' that has become rooted in our concept of 'public service.'

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## ULUGAY ON POLITICAL PARTY ECONOMIC PLATFORMS

Istanbul CUMHURİYET in Turkish 16 May 83 p 9

[Article by Osman Ulugay: "As We Await Party Platforms..."]

[Text] As efforts to organize political parties in Turkey take on new and interesting dimensions every day, we frequently hear talk about how the Turkish people have missed politics, with emphasis being given to the need for establishing parties that respond to the desires of the general populace.

It is normal for the Turkish people to have missed politics. The different segments of such a highly diversified society naturally have different desires and demands and naturally want to be organized into political parties that will represent these desires and endeavor to actualize them. Just how attainable this goal is, given the conditions of today's 'transitional period,' is another matter entirely.

Perhaps the one thing that the Turkish people have longed for the most from politics is to see the end of the strapped economy and the beginning of easier times. The various segments of the population that have endured the hardship of the economic policies in effect over the past three years want to believe that the time has now come when they can breathe more easily. They are waiting to hear an encouraging word, a comforting statement from the new parties and new political figures.

One of the biggest dangers awaiting new parties, new politicians, and therefore the voters themselves is now coming into the picture. As the new parties present the voters with a wide range of economic promises, it seems inevitable that they will be listing things that actually contradict one another.

For example, a party with rightist tendencies may include economic promises like these in its platform:

- Interest rates will be lowered;
- Investments will be stepped up;
- Unemployment will be checked;

- The fight against inflation will continue;
- The domestic market will be revitalized;
- Exports will be increased and the foreign trade deficit narrowed;
- Solutions will be found to the problems of firms in trouble;
- Export credits will be increased;
- Agricultural producers will be given good support prices and payments will be made on time;
- Workers and government employees will be given wage increases, and measures will be taken to ensure social justice.

This is a list of promises that look very good on paper and could please a big group of voters. However, we need to stop and ask ourselves--Don't some of these promises or goals contradict one another? If some are realized, would it really be possible to realize others? For example, what would really happen to import and export figures if interest rates were lowered, investments stepped up and the domestic market revitalized? Rather than closing the foreign trade deficit, wouldn't this make it grow rapidly? Moreover, if producers are given better support prices and payments are made on time, this would mean lifting the ceiling on price increases, so what would really happen to inflation? Finally, how are export credits going to be increased if we have to let domestic credits flow freely and take billions of lira away from public resources in order to rescue firms in trouble?

Voters must indeed be told that promises like these are meaningless unless the above questions can be answered satisfactorily. More precisely, they must be made aware that such promises are nothing but a lot of contradictions. Demagogy on economic issues must stop being rewarded.

Inconsistent, hard-to-fill promises like these could likewise be included in the platforms of parties with left-wing tendencies. It is up to the press, and particularly the economic press, to warn the voters about such promises and policies that are bound to lead to disappointment. The real face of such 'miracle solutions' must be exposed.

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## KAFAOGLU EYES RESTRUCTURED TAX SYSTEM

Istanbul DUNYA in Turkish 16 May 83 pp 1,7

/Text/ Work on the bill for restructuring the tax system is in its final stages. As Minister of Finance Adnan Baser Kafaoglu stated, "We left no tax untouched; our tax system must be rendered more effective in order to generate sufficient revenues."

Kafaoglu, indicating that this work is being carried out under the Ministry of Finance, went on to say, "We will be restructuring the tax system within the framework of the law granting authority to restructure public systems. We are endeavoring to complete the preparatory work at the Ministry this week in hopes of putting the draft into final form."

Kafaoglu responded to questions posed by a DUNYA correspondent as follows:

"Ever since the day I became Director General of Revenues, my ambition has been to restructure the tax system and make revenues effective. Two bills were prepared earlier for this purpose and both were passed. Now a draft is under preparation within the framework of the law granting authority to restructure public systems. Work at the Ministry is nearing completion. The matter will be reviewed one more time this week, and during this time we hope to conclude our efforts at giving the tax system a whole new look."

According to Kafaoglu, the new tax system is oriented toward "providing more effective tax control and tax enforcement." He continued, "It is essential that the system for tax assessment and collection be rendered more effective. We left no tax untouched. To generate sufficient revenue, the tax system must become more effective. Only in this way will our budget come to have genuine sources of revenue."

When asked what would happen if the tax system were not restructured, Kafaoglu replied, "Without this, all of Turkey would be driven to tears. If the tax system is not changed,

there is no way that the Ministry of Finance can obtain sufficient revenue."

### Work on the Draft

The Ministry of Finance is reportedly almost finished with the written draft of the law on restructuring the tax system. The draft is to be completed within the framework of the law granting authority to restructure the public administration. It is intended to be put into effect separately from the changes being made in the law dealing with Ministry of Finance organization.

According to information obtained from Ministry of Finance officials, the draft calls for the establishment of a Tax Administration Office tied directly to the Ministry, having a good deal of autonomy and a budget of its own. The central office is to be run by four Directors General subordinate to the Chief of Tax Administration, and a separate legal advisory office is to be set up in conjunction with the central office. Regional tax offices are also to be organized by following the guidelines of the provincial administration law, which is to undergo revision. The four Directors General subordinate to the Chief of Tax Administration are to be responsible to the central office for matters involving "tax enforcement," "direct taxation," "indirect taxation" and "tax control." A Chief Legal Advisor's Office is likewise to be set up, again subordinate to the Chief of Tax Administration. The Chief Legal Advisor will work at the central office, and regional staffs will have their own tax lawyers. There will be tax lawyers on regional staffs wherever there are tax courts.

While the draft calls for no changes in the current legal status of the Ministry of Finance Tax Review Board and Board of Accounting Experts, it does contain provisions for establishing staffs of tax examiners and auditors attached to the Directorate General of Tax Control. It also calls for reorganizing control units at the central and regional level and for assigning "tax auditors" in tax offices.

In addition, the draft groups tax offices, separating tax offices from collections offices. Three different offices are to be set up in large cities, specializing for example in "direct taxation," "indirect taxation," and "vehicle and property taxes." The branches subordinate to the tax offices will be responsible for imposition of taxes, tax verification and tax collection. The main function of the tax offices themselves will be one of overseeing and exerting control over taxpayers. Local control units will also be set up under the tax offices.

The draft is oriented toward giving tax administration a good deal of autonomy. The Chief of Tax Administration is to have separate staffing and a separate budget. The office is also to have a separate statute governing the purchase of buildings and vehicles. Further details regarding the workings of the tax administration will be forthcoming. These too can be regulated by statute.

The draft on restructuring the tax system is expected to be finalized shortly as a result of the efforts of the Ministry of Finance. It will then be discussed in the Commission for Restructuring the Public Administration headed by Deputy Prime Minister Zeyyat Baykara, and the final text will be prepared for submission to the Assembly of Ministers.

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## OPERATING CAPITAL SHORTAGE IN IRON-STEEL INDUSTRY

Istanbul DUNYA in Turkish 16 May 83 p 2

/Text/ IZMIR--The Iron-Steel sector in Izmir and the surrounding vicinity made considerable progress in recent years, but it is currently unable to produce at desired levels because of insufficient operating capital. The Izmir sector, where various types of machinery are manufactured and exported, has certain problems uncommon to other sectors, and these problems are expected to get worse in the future. As far as it is possible to determine, the sector's main problems involve finances, the bureaucracy and a shortage of raw materials.

Metas, one of Turkey's leading firms established in Izmir, is an example of these problems. Metas officials say that their firm is operating on the basis of demand. The factory has a capacity for producing 260,000 tons per year of various types of rolled iron, and like other factories, Metas is complaining about the shortage of operating capital. Factory officials cite insufficient working capital as the number-one problem of the iron-steel sector.

Foca Steel Factory, which is part of the Yurtcu-Sivri group, began production a month ago and plans to produce 150,000 tons a year for the first two years. This factory, which produces 60-70 units of angle iron for every 120 units of sectional iron, operates on the basis of exports. Factory officials do complain about delays in obtaining raw materials owing once again to financial and bureaucratic problems, but they claim that there are no major problems as far as exporting is concerned. As for the Foca Steel Factory's goal of producing 150,000 tons per year, officials from other iron-steel factories say that there is no way that the factory in Foca can meet this goal, again because of inadequate operating capital.

Each of the three major problems cited--'Finances,' 'the Bureaucracy' and 'Raw Materials'--is considered below:

## Finances

Economic development is impossible without investments, investments made jointly by the state and private sector. At this point in time when goods produced in Turkey's iron and steel plants do not suffice for a manufacturing industry, and when private enterprise is therefore active in this sector trying to respond to growing needs and changing conditions, it would be to the country's advantage to encourage investments in the iron-steel industry. When lining up investment priorities, this sector is not being considered separately from other investment sectors.

For many years, the iron-steel industry's need for capital was so great that private enterprise could not touch it. This is why manufacturing was being done strictly by the state sector. Today, our private sector has put its heart and soul into this activity, but has tied up a huge amount of its operating capital in order to do so. Increasing needs, rising costs of raw materials, and the high cost of tied-up capital and stock changes have all created a need for foreign currency, i.e. credit. Consequently, the entrepreneur is slapped with the heavy burden of existing regulations for obtaining credit. As in the case of any investment, bank credit for the iron-steel industry is allocated in proportion to a firm's real capital and reserves. These firms' increasing need for credit is about 5-10 times greater than their invested capital. Thus, bank regulations are not only standing in the way of needed credits, but are also causing firms to experience a shortage of cash flow and to lose out on using a significant amount of their capacity.

Another problem that can be considered under the category of 'finances' is the problem of fluctuating exchange rates, a problem experienced in other sectors as well as the iron-steel sector. This problem, which can only be controlled by stabilizing the fluctuations, is causing forced delays particularly in shipped imports. Consequently, firms have to pay what are often large differences in exchange rates, and in the end, costs and prices increase.

## The Bureaucracy

The problems faced by every other sector because of long, drawn-out procedures and bureaucratic processing are faced by the iron-steel sector too. These procedures are causing production equipment to stand idle, especially when raw materials or manufactured goods are needed for production. Underlying all of these bureaucratic problems is a lack of control.

## Raw Materials

The fall in the price of scrap iron as a result of the general



economic slump has been causing prices to drop in the iron-steel industry. The low price of scrap iron has made production especially easier lately for those firms that use iron and steel to manufacture machinery, because they operate on the basis of filling orders and doing projects one at a time. On the other hand, production at amalgamated industries, and particularly at the Eregli Iron-Steel Factory, is suffering because of the scarcity of ore and problems with transportation. Moreover, it is impossible to find the same quality of raw materials that were used previously, and raw materials of the same quality are not being used anyway because of technical energy-related problems. In other words, power cuts and drops in voltage ruin the quality of manufactured goods.

As far as machinery and equipment are concerned, our country is no different from the countries of the West, and therefore marketing our manufactured goods is not a problem. What our iron-steel sector needs is to resolve its particular problems and to have others show an interest in it.

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## CONSERVATIVES SHOW BIG GAINS IN POLL

Copenhagen BERLINGSKE TIDENDE in Danish 8 Jun 83 pp 1,12

[Article by Solveig Rodsgaard: "Gallup: Liberals Again Lose Voters"]

[Text] The Liberals now have the lowest voter support since the party has been in the government, the Center Democrats have also lost, and the Christian People's Party has dropped completely out of the Folketing. Both the Radical Liberal Party and the Progressive Party lost voters, but nonetheless there is an increase in the nonsocialist majority in the Folketing, thanks to the many votes for the Conservatives. That was the result of the latest Gallup political poll.

The Conservatives continue to be the Quartet Government's absolutely top scorer, and according to Gallup will get 43, compared with today's 26 seats. In the latest polls the Conservatives have lost a few percent, however.

In this latest Gallup poll the Social Democrats are at almost the same level as with the election in December 1981, but both the Socialist People's Party and the Left-Socialist Party are below their election results.

Gallup's political index was collected during the period 14-27 May. It was a period with many political discussions about natural gas, block grants and agriculture, and also a missile debate in which the government had a minority because of the Social Democrats' changed foreign and security policy positions.

Based on Gallup poll figures, BERLINGSKE TIDENDE has made an estimate of the number of seats. One should remember that the estimate does not include the two seats for the Faeroe Islands and two for Greenland mandated by the constitution.

| <u>Party</u>       | <u>Nr. seats today</u> | <u>Estimate based on Gallup</u> |
|--------------------|------------------------|---------------------------------|
| Social Democratic  | 59                     | 60                              |
| Radical Liberal    | 9                      | 7                               |
| Conservative       | 26                     | 43                              |
| Socialist People's | 21                     | 19                              |
| Center Democratic  | 15                     | 10                              |
| Christian People's | 4                      | 0                               |
| Liberal            | 20                     | 18                              |
| Socialist-Left     | 5                      | 4                               |
| Progressive        | 15                     | 14                              |
| Other              | 1                      | 0                               |

#### Political Index

Question: Which party would you vote for if the Folketing election were tomorrow? The polling period was 14 May-27 May 1983.

| <u>Party</u>       | <u>8 Dec 81</u> | <u>Dec 82</u> | <u>Mar 83</u> | <u>Apr 83</u> | <u>May 83</u> |
|--------------------|-----------------|---------------|---------------|---------------|---------------|
| Social Democratic  | 32.9            | 34.2          | 32.1          | 32.2          | 32.8          |
| Radical Liberal    | 5.1             | 3.0           | 3.9           | 3.5           | 3.9           |
| Conservative       | 14.5            | 25.0          | 27.4          | 25.9          | 23.6          |
| Single-Tax         | 1.4             | -             | -             | -             | -             |
| Socialist People's | 11.3            | 10.7          | 9.8           | 9.8           | 10.5          |
| Inter. Soc. Labor  | 0.1             | -             | -             | -             | -             |
| Communist          | 1.1             | -             | -             | -             | -             |
| Center Democratic  | 8.3             | 4.9           | 5.4           | 4.4           | 5.4           |
| Christian People's | 2.3             | 2.2           | 2.3           | -             | -             |
| Communist Workers  | 0.1             | -             | -             | -             | -             |
| Liberal            | 11.3            | 10.8          | 10.0          | 12.2          | 9.7           |
| Left-Socialist     | 2.7             | -             | 2.7           | 2.7           | 2.2           |
| Progressive        | 8.9             | 5.1           | 4.0           | 6.0           | 7.7           |
| Other parties *)   | -               | 4.1           | 2.4           | 3.3           | 4.2           |
| Total              | 100.0           | 100.0         | 100.0         | 100.0         | 100.0         |

\*) Parties with less than 2 percent of the votes.

Reprinting only with citation of Gallup and BERLINGSKE TIDENDE as source.

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## BRIEFS

CHRISTIAN PARTY POLL SETBACK--"It is downright unfair that the three cooperating parties in the government are declining in the Gallup poll," said group chairman Arne Bjerregaard of the Christian People's Party. That was a commentary on the latest Gallup poll which sent the Christian People's Party out of the Folketing and gave both the Liberals and the Center Democrats fewer seats, while the Conservatives received a large increase of seats. Arne Bjerregaard says that the voters obviously only are attracted to the prime minister's party, and they forget that "it is a matter of teamwork, where every party does its best to cooperate and elevate the Danish economy. This polarization is extremely inconsistent with development and cooperation in the government and the Folketing. The Christian People's Party stands for cooperation, and has proved that through its work in the Folketing, and will continue to cooperate even if it costs something. But I hope that the voters will see the danger in this polarization, so that support for all the government parties will be distributed more fairly," said Arne Bjerregaard. [Text] [Copenhagen BERLINGSKE TIDENDE in Danish 9 Jul 83 p 5] 9287

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## CONSERVATIVE, COMMUNIST NEWSPAPERS COMMENT ON KARJALAINEN

## Bank Chiefs Backed Ouster

Helsinki UUSI SUOMI in Finnish 11 May 83 p 11

[Text] Having obtained sufficient high-level support, President Mauno Koivisto decided on Tuesday that Dr Ahti Karjalainen no longer meets the requirements for staying on as director of the Bank of Finland. The president will dismiss Karjalainen at the first opportunity, possibly as soon as today.

Since despite being urged to do so Karjalainen did not agree to resign, the only remaining possibility was dismissal. Karjalainen went to the parliamentary bank commissioners, who held a special meeting Tuesday evening at the president's request, to affirm his ability to work and his desire to stay on at his post. Karjalainen showed up drunk before the bank commissioners.

When the time was right for the plan to dismiss him, which had been under consideration for a long time, Karjalainen hastened to announce his resignation from the Center Party (KEPU), in whose activities he has participated since 1947. Karjalainen appended abuse directed at chairman Paavo Vayrynen to the public announcement of his resignation.

The parliamentary bank commissioners were, however, unanimous in their opinion that the president could dismiss Karjalainen. The bank commissioners had already met on Tuesday morning. At that time Karjalainen's position was on the agenda only as a side issue.

Events acquired momentum when President Koivisto summoned Prime Minister Kalevi Sorsa (Social Democrat) and bank commissioner chairman Matti Jaatinen (Conservative Party) to see him in the afternoon. The bank commissioners gave the president their unanimous support at an emergency evening meeting.

Finance Minister Ahti Pekkala (KEPU) proposed to the president that Karjalainen be dismissed.

"KEPU Arrogance Was Too Much"

Ahti Karjalainen's loathing of the new leaders of the KEPU brought his resignation from the party to a head. Karjalainen stated his intention of resigning

as an independent [politician], having finally split with the party when KEPU leaders demanded that he withdraw from his post as head of the Bank of Finland and made the matter public. Becoming an independent had already crossed his mind for a long time, ever since he noted "that Paavo Vayrynen will never be a statesman."

In an interview he granted UUSI SUOMI's ILTALEHTI [UUSI SUOMI's evening newspaper] with regard to his resignation, Karjalainen said that his confidence in Vayrynen — his former secretary — had been ebbing since the mid-1970's.

"At the time Vayrynen played a definite role against me. He and his supporting faction fed President Urho Kekkonen information to the effect that I was working against the president."

Despite this, Karjalainen backed Vayrynen as KEPU chairman against Johannes Virolainen. However, Karjalainen avoided praising Vayrynen in his speech at the party congress in Turku. He merely presented his views on the changing of party policy. Those reflections were more in keeping with Vayrynen's ideas than Virolainen's.

"Later, I made Vayrynen chairman of the KEPU, but was subsequently completely disappointed in him. I know that he will never be a statesman. I don't really see in him the makings of a statesman," Karjalainen said, when he announced his resignation to ILTALEHTI.

#### "Monstrous Arrogance"

Karjalainen is no longer surprised at Vayrynen, but is at the KEPU leaders who side with Vayrynen and who went and moved for his dismissal from the Bank of Finland.

"In coming to demand my resignation from the post that earns me my livelihood, the KEPU leaders have displayed monstrous arrogance.

"I've never trusted Paavo Vayrynen, but I have trusted Seppo Kaariainen, Matti Ruokola and Ahti Pekkala.

"I now feel that I have to be independent of them and that is why I am resigning from the KEPU," Karjalainen said and added that the KEPU leaders have avoided him since their action.

#### Kekkonen Didn't Believe Me

Bank president Karjalainen has said before that misinformation about him was disseminated to President Kekkonen. Now Karjalainen has more to say about the matter. The disseminators were Vayrynen and his supporters. The matter was under consideration between Kekkonen and Karjalainen.

"Kekkonen didn't mention Vayrynen by name, but did mention the names of the men in his supporting faction.

"President Kekkonen said that he didn't believe Juhani Perttunen any more than he did me. Perttunen was then the head of the President's Office.

"After that Vayrynen soon became minister of foreign affairs," Karjalainen reminisced.

Office head Perttunen did not want to comment on Karjalainen's statement at all.

"Of course, I spoke to the president about many things, but I won't talk about those conversations. No comment," Perttunen said.

"I Will Stay On As Bank President"

For the time being Karjalainen plans to stay on as chairman of the board, or president, of the Bank of Finland. Karjalainen said that he has also announced this to President Koivisto, who "didn't react to the matter in any way at all."

Was Power in Party, with Kekkonen

Helsinki UUSI SUOMI in Finnish 11 May 83 p 11

[Commentary by Jukka Knuuti: "The Last K-Liner"]

[Text] With Ahti Karjalainen, the last man of the legendary K-line (Kekkonen, Korsimo, Kleemola and Karjalainen), is gone from the KEPU. Aside from being Urho Kekkonen's confidant, Ahti Karjalainen has also been a KEPU power figure, although he has never formally held a party post any higher than that of member of the party administration.

Prime Minister Urho Kekkonen raised him into membership in the K-line when he brought the young master of political science into all five of his administrations (1950-1956) as secretary to the prime minister. Soon thereafter followed his membership on the board of directors of the Bank of Finland, although Karjalainen has found very little time for his duties there. Practically speaking, from 1957 to 1977 he was constantly involved in different ministerial duties. As Kekkonen's man, he most often took care of the duties of foreign affairs minister.

During the somewhat delicate situation that followed the diplomatic note crisis, Karjalainen was entrusted with the responsibilities of prime minister, at 39 younger than anyone so far. After that he was foreign affairs minister for an entire decade, until he again had occasion to head the government in 1970.

As a nearly professional foreign affairs minister, Karjalainen was regarded as almost naturally having the best chance of becoming Urho Kekkonen's successor as president of the republic. He managed to hold ministerial office for a total of 5,765 days, a figure that only Johannes Virolainen has been able to surpass.

A crack in relations between Karjalainen and Kekkonen appeared in 1975 when, against Kekkonen's wishes, Karjalainen tried to keep a government in which he was minister of foreign affairs on its feet until the future CSCE was held. Karjalainen again got to be a minister, but had to be satisfied with the post of minister of economy without portfolio in the Miettunen government. He did not again become minister of foreign affairs.

Despite this, he was sent out to vigorously campaign as the KEPU's presidential candidate when President Urho Kekkonen took sick in the fall of 1971. While with the exception of Marjatta Vaananen the party leaders and the parliamentary delegation were almost entirely behind Karjalainen's candidacy, party constituents, nevertheless, voted for Virolainen as the party's presidential candidate. Karjalainen, however, kept everyone in suspense right up to the end by refusing to abandon his position as a possible dark horse.

The new president, Mauno Koivisto, appointed Karjalainen to become the chairman of the board of directors of the Bank of Finland, a post that had been left vacant. From time to time his uncontrollable drinking drove Karjalainen into conflict with the leaders of his party so that the KEPU power figure has left the party dramatically and with bitter feelings.

#### Vayrynen's Credibility Now Questioned

Helsinki UUSI SUOMI in Finnish 11 May 83 p 2

[Editorial: "Ahti Karjalainen's Decision"]

[Text] Bank president Ahti Karjalainen's announcement of his resignation from the KEPU is a dramatic one. The decision also contains a new kind of withdrawal from politics. Karjalainen has recently in other ways too emphasized that he has for a long time been an apolitical person.

The significance of his resignation can be underestimated by pointing to Karjalainen's personal background, but that is not the whole truth. Attention is once again being focused on the KEPU and its chairman, Paavo Vayrynen. With the exception of the Communists, no other party has drifted into such deep-seated and ongoing disputes. There must be some other common denominator behind the KEPU's misfortunes than just a power struggle between two or three leading personalities. It is typical of the KEPU's internal squabbles that the events of the previous presidential era are repeatedly evoked.

Karjalainen has served his party for a long time and has assumed that his party has served him for just as long. That has no longer been the case these past few years. The KEPU has begun to look for a new direction in terms of a sizable crosscurrent. The course of action has been a difficult one and chairman Paavo Vayrynen and his supporting forces have not yet succeeded in stabilizing their position. Both Johannes Virolainen and Ahti Karjalainen have caused consternation among Vayrynen's supporters.

Foremost in Karjalainen's announcement of his resignation is a strong tone of personal disappointment. He says that he is dissatisfied with the other KEPU



leaders as well, in addition to Vayrynen. Karjalainen does have the right to feel that he has been personally offended, but he must also admit that his own activities as head of the central bank are subject to reproach.

If this politician who has carved out a long career for himself had paid attention to other matters in addition to his personal feelings, he might have refrained from making the decision he did. The relation that exists between Karjalainen and the KEPU is not on this occasion nor on the basis of previous events either their purely internal affair. For this reason let us now consider Ahti Karjalainen's position in a broader context.

Right after the announcement of his resignation from the KEPU, attention is being focused on Karjalainen's duties at the Bank of Finland and on the Finnish-Soviet Economic Commission. He holds a high-ranking position in foreign trade policy to which a great deal of prestige is attached. And since Paavo Vayrynen, who has been criticized by Karjalainen, is not only the chairman of the KEPU but also the foreign affairs minister, all of these things are linked. Karjalainen's announcement of his resignation accompanied by his explanation also weakens Foreign Affairs Minister Vayrynen's credibility.

The KEPU's internal squabbles and the handling of the nation's affairs must be separated from one another. Let the KEPU whip its affairs into shape under Vayrynen's leadership — if it can. Furthermore, it should be noted that people who can be taken seriously are needed in all important official posts.

#### Background of Firing Discussed

Helsinki UUSI SUOMI in Finnish 12 May 83 p 12

[Commentary by Ilkka Juva: "In the Background Helping a Friend and Political Ambitions; the Final Dive of Karjalainen's Splendid Career"]

[Text] The final dive of bank president Ahti Karjalainen's government career began last summer only a few months after he became chairman of the board of directors of the Bank of Finland following Mauno Koivisto's election as president.

Karjalainen's sobriety began to waver. In the fall the Finnish markka was devalued. The president of the central bank cut short his vacation and participated in decisive meetings, but not in the decision-making process. During a press conference the bank president was ordered to take a sauna and then given sick leave.

At the start of his sick leave Karjalainen assured the president and KEPU leaders of his absolute sobriety. He even spoke about his teetotaling during an interview he granted HELSINGIN SANOMAT.

At least in his private life, Karjalainen did not stick to his promise and it was later said that problems had also arisen in the performance of his official duties.

## Gaps

The essential factor in Karjalainen's fate was the fact that confidence in his ability to handle his official duties was decisively reduced. What happened after that is not unquestionably clear.

One goal was to get Karjalainen to retire while another was the political exploitation of duties he would be relieved of. At the same time they honestly tried to settle matters tactfully and satisfy his political ambitions. This is why there are wildly contradictory reports on the course of events.

The fact that the president has been concerned over Karjalainen's performance is indisputable. However, he has not been overly ready to assume the initiative. The same concern has also been evinced in the parties and at the bank. In passing judgement on party men's performance, however, we must constantly bear in mind that they were also the ones who made the "Koivisto republic," which the dividing up of Karjalainen's political legacy also belongs to.

In so-called political circles they say that the president was interested in hearing bank commissioner chairman Matti Jaatinen's report on the bank president. Sometime during the days following the president's visit to Denmark was chosen as a suitable time for doing so.

### Lunch Conversation Subject to Dispute

The KEPU leaders: Paavo Vayrynen, Seppo Kaariainen, Matti Ruokola and Ahti Pekkala, decided to speed things up with their famous visit to Karjalainen's home. According to some reports, this operation had President Koivisto's support, while others dispute this claim.

There are also contradictory reports as to how spontaneously UUTISKESKUS, owned by KEPU newspapers, published the expected news of Karjalainen's dismissal.

As is known, UUTISKESKUS operates on its own initiative, but Vayrynen, who was aware of the news, did not attempt to keep it from being published.

On Thursday, 21 April, the Center press published the UUTISKESKUS news item, in which there was not a word said about the KEPU leaders' visit, but it was reported that he [Karjalainen] was facing retirement.

On Saturday, 23 April, Ahti Karjalainen published a statement. He reported on his meeting with the KEPU leaders in ILTALEHTI. Karjalainen condemned his party's leaders and presumed that they had placed the news item in the newspaper.

Karjalainen did not approve of the Vayrynen delegation's proposal that he voluntarily retire.

The following Monday, 25 April, Karjalainen met with the president. According to the official statement, they spoke only "about monetary policy" in that

conversation. Now Karjalainen admits that they discussed his position, but that, as he understood it, the president had taken no note of the matter.

#### Night Call to UUSI SUOMI

A week went by. Ahti Karjalainen called the UUSI SUOMI office on 3 May at 0145 in the night between Monday and Tuesday.

By chance an editor was still on duty, of whom Karjalainen distinctly asked whether he could still get a news item into that morning's edition of UUSI SUOMI. The editor said that the schedule for that morning's edition was already too far along, but that ILTALEHTI's make-up was in progress.

Karjalainen dictated his request to resign from the KEPU to the editor. He alerted ILTALEHTI's chief editor and Karjalainen granted ILTALEHTI a detailed interview right in the middle of the night.

On all of these occasions — likewise during the ILTALEHTI interview on the following night — Karjalainen was in a plain-speaking, deliberate frame of mind.

The night call tells us that Karjalainen, who is noted for his taciturnity, this time felt that he had lost even his last supporters. He sought help through publicity, if not to save his position, at least to tarnish the crown of those who had laid him low.

#### Foreign Policy into the Picture Too

It was, however, especially essential for Karjalainen to report, in the ILTALEHTI article, on his conversation with the president about his position. The president probably obtained from this a reason to take a hand in the course of events, something that had certainly been hoped for even before then.

The president's speedy action was probably influenced by the fact that Karjalainen in his interview had cast a dark shadow on the newly-appointed minister of foreign affairs. It is claimed that he was in a hurry to remove the authority of Karjalainen's power to influence foreign policy.

As a background to this claim, we must remember that on the same day the KEPU leaders met with Karjalainen the party was cleaning up the SMP's [Finnish Rural Party] foreign policy reputation. Soviet trade officials who had arrived in Finland had good reason to ask about Vayrynen's motives with regard to the recognized, that is Karjalainen's, foreign policy.

#### Tuesday Meetings

On Tuesday, 3 May, the president discussed things with Jaatinen and Prime Minister Sorsa. That evening the parliamentary bank commissioners, to whom Jaatinen had explained the situation, met. Among others, Veikko Vennamo had demanded an explanation of the bank president's situation at the routine meeting held that day.

Karjalainen had felt it necessary for him to appear on his own initiative at the bank commissioner meeting. His appearance did not, however, produce the desired result since the next night Karjalainen gave the impression that he had been invited to the meeting to be heard. The bank commissioners decided to recommend that Karjalainen be dismissed.

Why?

At the present time we are not yet aware of what all has been involved in the events of the past few days. However, we ought not to view the matter too much in terms of black or white. Regardless of what the truth is, Karjalainen has his reasons for seeing a witch hunt in what has happened.

He can justify this by claiming that the KEPU and the Social Democrats had reached agreement during negotiations over the government to divide up Karjalainen's posts between them. Furthermore, Karjalainen has reason to doubt the KEPU chairman's motives, since the latter is reported to have hammered a wedge between Karjalainen and Urho Kekkonen as well as to have played a two-faced role during the KEPU's presidential candidate campaign.

#### Lost Contest with Koivisto

Helsinki UUSI SUOMI in Finnish 12 May 83 p 2

[Commentary by Jyrki Haikonen: "Inevitable Final Outcome"]

[Text] I am waiting for the news broadcast to begin. It is lunch time. People who are interested in politics are talking about only one thing today.

Let's put the pieces in place. I see the long-term course of events like this: There are three or four overlapping circles. Urho Kekkonen's presidency forms the first circle. During that period some of the things that still influence people's lives today went wrong, especially because the period lasted too long. Its length stiffened the machinery of state and the waiting line of aspiring politicians stopped moving.

Inside the second circle is the KEPU. What is now happening to Ahti Karjalainen is part of a development that began in the KEPU in the 1960's. The party came under too severe pressures. In the shadow of Kekkonen a power struggle came into being in which, surprisingly, there is no victor.

Paavo Vayrynen has gained the chairmanship and a lot more, but has lost esteem. Ahti Karjalainen is now fighting absolutely alone and losing. Johannes Virolainen was defeated in the field as is fitting in the world of politics. His lot is so far the best: He sows a field with his tractor in a free natural environment as a free man.

There was too much heavy growth in the KEPU and, when Kekkonen collapsed, there were just too few posts to be divided up.

The third closed circle is Mauno Koivisto's circle. The president's prestige will not stand another single day of the unavoidable laundering that is in progress below him. The president was finally forced to serve as umpire because the triad composed of the central bank, the Eastern trade and the foreign affairs minister stopped functioning Wednesday.

Whether Karjalainen will have time to resign from the party before other things happen is another question. It certainly now looks a bit as if resigning from a party, and especially the KEPU, is a punitive act. That is, however, not the heart of this matter.

The heart of the matter as such is not the interesting power struggle either that is in progress to fill the rather large national position Karjalainen is relinquishing. There are a lot of vultures circling about.

The reasons behind the Karjalainen case lie in the Kekkonen era and in Karjalainen's character, buried deeply in them. At any rate, life tosses things about in strange ways. We would not have believed that Mauno Koivisto would have to decide Ahti Karjalainen's fate — and in a way serve as the executor of the KEPU's estate.

The ability to think logically deserts us in judging the fate of a man who has risen to the summit of the nation. It is best to seek aid in mankind's most profound wisdoms, art. One does not have to be very bright to see in the course of these events the features of an ancient tragedy.

As we know, the evolution of the drama in a tragedy leads inescapably to destruction as dictated by necessity regardless of fate or individuals.

We are talking about the law of three factors: the unity of time, place and action. We still remember well a time when Karjalainen in Vayrynen's present post as minister of foreign affairs guided the life of the nation.

According to Aristotle, one characteristic of tragedy is the purifying effect of fear and the release of charisma, becoming purified. The Greek word is catharsis. In the news they say that, since Karjalainen did not himself ask to be removed from office, he was probably forced to resign from the Bank of Finland.

Moderate CP Organ: Bad Start for Vayrynen

Helsinki KANSAN UUTISET in Finnish 11 May 83 p 2

[Editorial: "Karjalainen"]

[Text] The KEPU apparently did not suffer its biggest defeats when doctors conducted their campaigns for positions in the party and the nation in horse-and-buggies. The biggest shocks are evidently only now being felt, when the campaigners have stood aside and the new leaders are striving to protect their power positions.

Ahti Karjalainen's letter of resignation is an expression of indignation and resentment that goes straight to the heart.

The request the KEPU leaders presented to Karjalainen to resign from his duties as bank president was really rotten. The person in question at any rate perceived it as such and as being particularly unjust. It is probably felt to be obvious that the request cannot be viewed as an expression of concern felt over the nation's monetary policy or the state of affairs at the Bank of Finland, but rather of the KEPU leaders' desire, engendered by power politics, to protect the party's positions in the administration of the Bank of Finland. Karjalainen's problem was used as a weapon.

Now who could have guessed that in 1983 Urho Kekkonen's colleague and serious pretender to the president's office, Ahti Karjalainen, would resign from the KEPU and return to the life of a private individual? That is dramatic enough to hold us for a while.

Karjalainen's personal decision is the vilest possible protest against Paavo Vayrynen. It was generally thought that, since Karjalainen had been promoting Vayrynen, relations between the two of them would be fairly good. But now Karjalainen's statements indicate that he was disappointed in Vayrynen long before, did not see the makings of a statesman in him and felt that Vayrynen had messed up relations between him and Urho Kekkonen.

Vayrynen's behavior during the negotiations over the government raised a storm in the KEPU in other ways too. Following Karjalainen's decision, we must say that the minister of foreign affairs' new term is off to a rather poor start.

#### Stalinist CP Organ Cautious on Foreign Policy Effect

Helsinki TIEDONANTAJA in Finnish 12 May 83 p 2

[Editorial: "Pressures Because of Karjalainen's Resignation"]

[Text] Ahti Karjalainen's resignation from the KEPU and the resulting reshuffling, at least in the administration of the Bank of Finland, cannot but leave their marks on both the future of the KEPU and the handling of the nations' affairs.

The KEPU leaders' clumsy maneuver to oust Karjalainen may lead to a situation in which the party, which has already lost top national posts, will suffer new defeats. The sidelining of the old guard — Kekkonen, Uusitalo, Karjalainen, etc. — experienced in foreign policy, leaves a bad gap in the KEPU's foreign policy image. This is a regrettable thing since the KEPU and particularly its K-line have since the war belonged to those political forces that have piloted our country down the Paasikivi-Kekkonen line.

Since no vacuum can come into being in the domain of foreign policy either, others will fill the void. The battle is in progress and is merely increasing in force. There is a danger that those who have been dreaming of a change in foreign policy will try to fill the gaps left by positions lost during the

Kekkonen era. Foreign policy pressure may also grow. In any case forces inexperienced in the domain of foreign policy will step into the picture. Whether uncertainty increases due to this will depend on President Koivisto and all of our foreign policy leaders.

Only conservative adventurers, the same forces that are trying to weaken the Finnish Communist Party's role in the implementation of our country's foreign policy line, can be happy over the top-level crisis, for that is what is at issue, that has arisen.

It is, of course, premature to judge in what way the ousting of one person, Karjalainen, will affect, for example, Finnish-Soviet economic relations. Karjalainen's merits in this field of cooperation are indisputable. On his own initiative he was able to influence the creation of a climate of trust which has been purely beneficial to our country. It is possible that there will be some sort of break in continuity with respect to relations at the level of Economic Commission leadership. For how long, we do not know.

In this situation cool and calm deliberation is more than necessary. From the standpoint of the nation's interests, it would be desirable to have at our disposal Karjalainen's foreign policy and economic experience from now on as well.

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## PAPER COMMENTS ON FIRING OF KARJALAINEN FROM TRADE COMMISSION

Helsinki HELSINGIN SANOMAT in Finnish 19 May 83 p 2

[Editorial: "Importance of Economic Commission's Role Constantly Emphasized"]

[Text] The inevitable replacement of the Finnish chairman of the Finnish-Soviet Economic Commission has occurred at a point in time when the need for the development of economic relations and particularly for increasing the volume of Finnish imports from the Soviet Union is being heavily stressed. It must be emphatically stated that the work the commission is doing is valued here at least as much as it has been up to now. That will also be evident in time with the election of a Finnish chairman.

Throughout the entire existence of the economic commission, its dual chairmanship representing both partners has been filled by high-level figures and represented stable continuity in economic relations.

As the commission's other chairman, Soviet Foreign Trade Minister Nikolay Patolichev has made a great effort to increase economic cooperation. He has also for a long time now himself signed on behalf of the Soviet Union the annual trade agreements, the contents of which he has also actively influenced for decades now. The prestige Patolichev enjoys has also frequently helped Finland to obtain favorable results.

The change caused by the termination of Dr Ahti Karjalainen's lengthy career as a chairman who aroused confidence in the Soviet Union must be handled with care. It is appropriate for Foreign Trade Minister Jermu Laine to be heading the Finnish delegation at the commission meeting to be held next Monday and Tuesday in Moscow. We are not in such a hurry to appoint Karjalainen's successor that there would be not time to properly work the matter out. The development of trade with the Soviet Union is an especially important matter for Finland.

The usual problem in bilateral trade between Finland and the Soviet Union has been how to find sufficient imports from the Soviet Union to cover Finland's export potential. On a couple of occasions the rise in the price of oil has afforded Finnish exports a powerful growth incentive. But export volume has indeed risen to a point where, with the drop in the price of oil, it has rapidly increased the revenue our country receives from the Soviet Union.



Despite the already severe pruning of exports that has been implemented, accounts receivable are now over 5 billion markkas and the balance is still growing.

Representatives of three state-owned companies will participate in the Moscow meeting next week to sound out the possibilities for increasing the volume of raw-material imports they need from the Soviet Union. The additional import volume amounting to a billion markkas a year that is being aimed at and a possible increase in crude-oil middleman sales will already be of significant help in balancing trade. Other opportunities to act as a middleman may also be found. The realization of an increase in the volume of timber imported, which the lumber industry has been hoping for, would help a bit too. In the course of time, however, raising import volume will be a difficult matter if raw materials continue to account for over 90 percent of the value of Soviet shipments to Finland, as is now the case.

The continued favorable development of Soviet-Finnish trade will require proof from us that in this area too we are making vigorous efforts to look for ways of balancing trade. It will help a lot if the chairmanship of the economic commission is in authoritative hands which are capable of making specific long-term decisions too.

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## POLISH SOCIOLOGIST CONTRASTS WARSAW, HELSINKI TIES TO USSR

## Justifies Different Nature of Relations

Helsinki HELSINGIN SANOMAT in Finnish 17 May 83 p 20

[Article by Helena Kinnunen: "Polish Sociologist Jerzy Wiatr: Artist Unions Are Not Given Special Freedoms in Poland"]

[Text] "It is pointless to imagine that Poland's cultural worker unions could achieve what the Solidarity Union with all its power could not. The government had enough strength to suppress the Solidarity Union and it has no intention of knuckling under to writers, painters or film makers' demands."

This is what Prof Jerzy Wiatr, the director of the Polish United Worker Party Central Committee's Marxist-Leninist Institute, said in Warsaw.

"Poland does not have two constitutions, one of which 99 percent of all Poles would conform to and the other for the remaining Poles, only because their positions are so much in evidence," the professor went on.

And did the party sociologist not believe that banning artist unions from engaging in activities would make the situation worse than it was before in a country where culture is traditionally held in high esteem?

"Censorship More Permissive"

"I don't believe that this dispute has any great effect on the public. People are interested in, for example, seeing books published, not what happens to the Writers Union," he replied. "We don't pressure writers into writing. They publish. During the state of martial law, censorship has been much more permissive than it ever was before 1980. Previously banned books have been published, for example, Jerzy Andrzejewski's 'Miazga'," he explained.

"Particularly interesting, multivalued plays written by playwrights who oppose the government are presented in the theaters," he said.

Theatergoers say the same thing. There is no shortage of plays that present themes in common with the current reality and the public attends them. Recently discharged from his position as director, Andrzej Wajda's latest film,

"Danton," filmed in France, is being shown in Warsaw theaters, although no great success, but even school classes have been to see it.

#### Union Members Dissatisfied

"The government is continuing its policy of free culture. Of course, not all of us feel at home in it nor are all our members satisfied with it, but we will go on as we have," Wiatr said. Along with many other Poles, he got his hair pulled by the Soviets in a recent article directed against the newspaper POLITYKA. He did not want to discuss that article.

"But the activities of the cultural unions as groups engaged in power politics and hostile toward the government, that is another matter," Wiatr said. "The situation is the same as it is with respect to the Solidarity Union. If the Solidarity Union had acted solely as a trade union, it would have flourished. But it wanted to be something else. It wanted to be a political party opposed to the government.

"I believe that feelings will eventually calm down. It will take time, but as far as this is concerned the government can wait as long as it has to."

As an example, Wiatr singled out the Pictorial Artists Union, whose activities were recently banned again. "They had drawn up an extensive list of political demands for their annual meeting, a list that included permission for the Solidarity Union to operate. That has nothing to do with artists' professional concerns. Government officials are ready to grant the unions the freedom to decide on their internal affairs, but not the right to function as an overt political opposition," he emphasized.

The social science professor willingly compared Poland's situation with Finland's. "Despite the fact that Finland is a parliamentary democracy, no segment of the population in Finland has launched the same kinds of attacks against the Soviet Union that the Solidarity Union has," he said and praised the Finns for their political maturity and sense of responsibility.

#### Has martial law calmed Poland?

"The economic situation has essentially improved. The political and social situation is still troublesome," he said. "In a couple of years we will be in a phase that we will not yet be able to call normal, rather only normal for a post-crisis situation.

"Outsiders who assess the situation in Poland often make the same mistake Solidarity does in thinking that Poland is only Gdansk, Nowa Huta, Wroclaw, Cracow, Warsaw, etc. This often leads them to conclude that support for the government is weak in Poland."

#### Support from Rural Areas

"But actually, the rural areas are solidly behind the government. We have no significant opposition in the villages and small towns. In many provinces

martial law could be entirely done away with immediately or could have been done away with as early as a year ago since the situation is so stable," he said.

Most of Poland's farm population are individual farmers. Many Poles say that martial law and the food shortage have benefited them most.

Wiatr said that Solidarity succeeded in winning over only 15 percent of the farmers when its support was at its peak. "It may seem paradoxical that a socialist government should have its strongest support among the peasant population," he said.

Solidarity's support base is in the big cities where there is a lot of industry and many universities and colleges. Problems are politically more visible and harder to handle in large cities.

#### Paper Disagrees With Contrast Points

Helsinki HELSINGIN SANOMAT in Finnish 18 May 83 p 2

[Editorial: "Mirror Image of the Problem"]

[Text] In an interview granted HELSINGIN SANOMAT Polish social science Prof Jerzy Wiatr compared Poland's situation with that of Finland.

A comparison is, of course, possible, but the professor's premises and conclusions are all topsy-turvy.

In his opinion, the fact that no segment of the population in Finland has launched the same kinds of attacks against the Soviet Union as the Solidarity Union has, although Finland is a parliamentary democracy, is praiseworthy.

Wiatr seems to believe that a parliamentary democracy cannot successfully manage [Poland's] foreign policy, nor can it at any rate act in accordance with Soviet policy, which enjoys the voluntary support of the people and which, viewed from Moscow, would also correspond to Soviet interests.

Viewed from Finland, on the other hand, the only guarantee is parliamentary democracy, which promotes national interests voluntarily, not out of coercion.

If there were a one-party system in Finland without free elections, the government would be incapable of preventing demonstrations, even though it might daily protest that it was pursuing the only correct course of action.

Wiatr heads the Marxist-Leninist Institute, whose job it is to solve Poland's social problems and straighten out misconceptions. It would seem that the institute need never fear that its job will be completed.

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## KOIVISTO DOWNPLAY OF SUB REPORT DISAPPOINTS SWEDEN, NORWAY

## Doubts Baltic Situation Has Changed

Helsinki HELSINGIN SANOMAT in Finnish 19 May 83 p 10

[Text] In President Mauno Koivisto's opinion, the recent submarine incidents on the Swedish and Norwegian coasts have not yet been definitively explained. "There is a lot in this affair that appears to be regarded as explained, but which, when more closely examined is not at all," Koivisto said in an interview transmitted by the LEHDISTO news service.

"Apparently, it is now widely felt to be obvious that a sizable increase in military interest in the Baltic has occurred. These are matters that it is very hard to understand. It is difficult to see why a Baltic nation would have any reason to try to worsen the situation that prevails in that area," Koivisto said.

The president does not feel it necessary to establish a new foreign policy debate forum in the Nordic countries nor to discuss the security policy at a session of the Nordic Council. The chairman of the Norwegian Parliament's Foreign Affairs Committee recently proposed the founding of an organization for the discussion of the [Nordic] parliaments' foreign policy.

"If members of these parliaments feel that discussion of security policy is warranted, they have opportunities for doing so annually in many other forums than the Nordic Council. I have not noticed that there is any need for a new forum," Koivisto said.

In the interview Koivisto also raised the issue of the recent government negotiations. In his opinion, the new majority government was created in a normal situation and there is no need for the president himself to go into the subject of the ways in which it was handled any further.

"I in principle believe there is reason to think that the national president should not raise the question of the formation of the government any more than is necessary. I feel that this was done in accordance with parliamentary procedures and principles," Koivisto said.

Koivisto describes the reporting assignment received by speaker of Parliament Erkki Pystynen during the early stages of the government negotiations by noting that it was a matter of the speaker's turn, not the sort of reporting assignment Conservative Party chairman Juha Rihniemi got after the 1970 elections and Harri Holkeri got in 1979.

"Pystynen did his job thoroughly. He certainly presented his observations on a very general level," Koivisto said.

#### Sharp Reaction from Norway, Sweden

Helsinki HELSINGIN SANOMAT in Finnish 20 May 83 p 8

[Text] Stockholm (Vesa Santavuori)—Finnish President Mauno Koivisto's cautious statement on the military situation in the Baltic was received in Sweden with almost tumultuous amazement.

Radio and television reported the matter all day Wednesday to the tune of "Koivisto doubts" the validity of Sweden's statements on the submarine.

The conservative SVENSKA DAGBLADET joined the chorus on Thursday. It started off its editorial with the headline "Koivisto, the Doubter."

The newspaper wrote that Koivisto had announced that it was "hard for him to understand" why there should be an increase in ever more challenging violations of territorial waters by Soviet subs, the still somehow significant military interest, thinking in terms of Swedish territory.

"It is hard for us too to understand how the president of Finland can permit himself to make statements as broad and slippery as the one he issued to the LEHDISTO news service."

That is how the well-known conservative SVENSKA DAGBLADET expressed its vigorous conservative opinions on Thursday.

In his statement Koivisto did not mention submarines any more than he did Sweden or the Soviet Union.

He stated that not all the beliefs relating to the whole affair were necessarily indisputable based on the clearcut truth.

"Do we hear the voice of the master of the house in the background?" Sweden's Television Channel 1 asked on Wednesday evening.

Written about the same time, an appraisal was published in SVENSKAN on Thursday which intimates the same thing.

"As long as Koivisto does not know what the submarine commission has left unpublished, the Finnish president ought to refrain from making such statements.

"The only ones who can regard the matter with gratitude are those in power in Moscow."

According to SVENSKA DAGBLADET, since the dispute over the sub incidents, Moscow has treated Sweden "in a more and more arrogant and aggressive fashion."

"Hard to Understand"

(Erkki Pennanen)—President Mauno Koivisto's comment during an interview about the fuss that has been raised over the sub incidents off the Swedish and Norwegian coasts, which gave the impression of being rather harmless and unimportant, has caused a considerable stir among our neighbor Sweden's news media — and not only among them.

In Finland they did not see anything strange in the fact that the president, in his typical philosophizing style, stated in the course of a LEHDISTO news service interview that there was a great deal in the whole affair "that seems to be regarded as explained but which, when more closely examined, is not at all so."

What did Koivisto really mean with his doubtless to a certain extent enigmatic philosophizing?

He himself went on to say: "It is now apparently widely considered to be obvious that a sizable increase in military interest in the Baltic has occurred. These are matters that are very hard to understand. It is difficult to see why a Baltic nation would have any reason to try to worsen the situation that prevails in that area."

In the Swedish news media this reply has been understood to mean that the president of Finland directly or indirectly questions the validity of the submarine commission's entire thorough report. This is not a matter of just any old report since both the Swedish Government and the Foreign Affairs Committee, which operates under the chairmanship of the king, have approved it. Basing itself on the findings of the report, the Swedish Government has presented a note of sharp protest to the Soviet Government.

Sources close to the president have hastened to dispel the notion that Koivisto might have meant the report itself in his statement as a misinterpretation. It is emphasized that he was referring to the military policy situation in the area concerned.

At the Swedish Ministry of Foreign Affairs they assure us that they understand the president, but that they are also somewhat surprised at the statement and request that adjustments be made in the language of the text.

On close examination, Swedish interpretations of Koivisto's reply can be shown to be misinterpretations. Koivisto apparently made no mention of the report's nuclear issue or evidence of Soviet sub activity inside Sweden's territorial waters. He is simply not ready to without further ado accept the conclusion that some Baltic nation (the Soviet Union) would have any reason to try to worsen the situation that prevails in that area.

## Carefully Considered Indecision

This time the president's indecisive philosophizing, which has in different respects given rise to surprise, seems to be carefully considered. He had real difficulties in formulating a reply that would have met all the demands of the situation. Finland has been forced into a perplexing corner on an issue on which the official views of the neighboring countries of Sweden and the Soviet Union are diametrically opposed.

When Finland some time ago heard the findings of the Swedish submarine report, the initial reaction was, as we know, one of considerable amazement. The findings and conclusions of the report produced an impression of downright disbelief. Since, however, the Swedish Government and like-thinking Parliament believe them, it was inconceivable that they would not also be taken seriously in Finland.

Later, the Soviet Government in its own reply to the Swedish note rejected the charges that had been made "as untenable claims" and as a hostile act. They said that the Swedish Government had added grist to the mill of those who have promoted a provocative propaganda campaign against detente.

From the standpoint of the commentary on the matter, the situation is reminiscent of the one Koivisto got into on his visit to Stockholm as prime minister in February 1980. At that time he had to reply to the question as to whether he was concerned over the establishment of NATO heavy armament storage depots in Norway.

An affirmative reply would have meant an overt demonstration of lack of confidence in the Norwegian Government and his admission that a change was taking place in the stable situation in Northern Europe. After hesitating for a moment, Koivisto finally decided to answer "no," the result of which was the appearance in many newspapers of the headline, annoying to him: "Koivisto Not Concerned Over NATO Depots in Norway."

This time too, Koivisto tried to place the best interpretation on matters, namely that there was no need for changes to occur in the Northern European situation. This had been the attitude stressed by the other Nordic countries too, at least up until the submarine report.

While the Swedish Government may indeed assume that Finland takes its official views seriously, Koivisto's message seems to be: The drawing of very far-reaching conclusions on sub activity may lead to still more serious consequences in the Baltic than those the conclusions of the submarine report perse might warrant.

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## AUTHORITIES CONCERNED OVER INCREASE IN USSR BORDER INCIDENTS

Helsinki HELSINGIN SANOMAT in Finnish 19 May 83 p 15

[Article: "Border Officials Appeal to Boaters to Stop Violating Soviet Territorial Waters"]

[Text] Finnish and Soviet border officials are appealing to boaters not to violate the Soviet Union's territorial waters.

Last summer the number of Soviet border violations by Finnish pleasure and fishing boats increased considerably. Soviet border officials have been devoting serious attention to these violations.

Illegal border crossings in the Gulf of Finland and the Baltic generally lead to several days of detention.

According to a communique from the Maritime Administration, those who are arrested are also fined.

Those who are arrested are generally very drunk and sail pleasure craft. The size of the boats varies from small open boats to big motor cruisers. Both the captain's navigational skills and the boat's equipment are often inadequate or practically nonexistent. According to the Boating Advisory Committee, the number of border crossings increased sharply in 1982 and there were steadily enough of them from the end of June through early October.

Soviet and Finnish border officials appeal to boating associations to inform boaters on the matter.

The advisory committee stresses the fact that, when setting out for open sea and there is a chance that they may drift into Soviet territorial waters, it is absolutely necessary that due consideration be given to both the boat and its equipment and the condition of the captain and the crew. In their appeal they say that it is a question of both one's own competence and the interests of boaters in general and the country.

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## CONSTRUCTION WORKERS UNION TO CONTINUE WITHOUT STALINISTS

Helsinki HELSINGIN SANOMAT in Finnish 16 May 83 p 10

[Text] The Communists' internal disputes came to a head at the conclusion of the SAK's [Central Federation of Finnish Trade Unions] Construction Workers Union congress in Helsinki on Sunday when the union's People's Democratic majority left the minority faction totally without representation in the union's administrative organs.

Aarno Aitamurto (Communist) was reelected chairman of the union, but the Communist delegation's Stalinists did not take part in the election.

Practically speaking, the Communist delegation to the union congress split on Sunday. The moderates excluded the Stalinists from the delegation's work, giving as grounds for doing so the Stalinists' unwillingness to appear together with them. Another reason was also the fact that the Stalinists forced the union congress on Friday to vote on that part of the union's new platform concerning its wage policy.

According to the decisions reached on Sunday, the Stalinists lost the seat they had previously held on the Construction Workers Union union committee. The Stalinists also lost their executive committee seats, of which they had previously held five.

In other respects, the meeting was very harmonious and the Social Democrats, for example, who constitute a minority in the union, did not want to bring their own proposals to a vote. The Social Democrats were content with appending their dissenting opinion to each item on the agenda in the record of the proceedings.

On the basis of the congress, there were no changes in the union leadership. In addition to chairman Aitamurto, second chairman Matti Ojala (Communist) and union secretary Hannu Alanoja (Social Democrat) were reelected to their posts. Nor were dissenting opinions presented on the election of the second chairman and the secretary.

## Demands on the Government

On the last day of the meeting the Construction Workers Union congress also endorsed an economic policy statement, the gist of which consists of demands with regard to next year's budget directed at the government. The foremost objective would be to include employment subsidization in the budget.

In the statement they reject the adoption of an interest subsidy system to cover government housing loans and are of the opinion that the construction of 26,000 housing units and the basic repair of about 20,000 housing units should be financed with government funds. They propose additional appropriations for public construction and more appointments in the field of health care, among others.

Furthermore, the administration of tax policy, a moratorium on defense establishment expenditures, extension of the natural gas pipeline and the launching of Sokli mining operations, among other items, are included on the Construction Workers Union eight-point list of demands.

In their dissenting opinion, the Social Democrats among other things stress the fact that the government's success as an objective it has set itself in combatting inflation is also important to the trade union movement. Moreover, the Social Democrats stress the careful direction of support provided for the national companies and the attachment of the obligation to employ more people to the subsidies provided them.

In the statement on wage agreement policy endorsed at the union congress, aside from a rise in real wages, they adopt as the most important objectives to aim at a shift to a time rate system for wages and the restriction of overtime so that the employment situation may be improved.

The Construction Workers Union, which concluded its 4-day congress on Sunday, is the SAK's largest People's-Democrat-led member organization. The union has over 90,000 members.

## "No Outright Conclusions"

Following his election, Aarno Aitamurto, who was reelected chairman, said that this meeting of a People's Democratic group signified "the affirmation of the development that has taken place." The course of affairs has, in his opinion, already been moving in this direction for a long time.

Aitamurto also, however, felt that the Construction Workers Union congress would not draw outright conclusions regarding the SKP [Finnish Communist Party] or the whole People's Democratic movement. On the other hand, he felt that the party's majority was no longer willing to set out on a "long march" for the sake of unity.

Aitamurto criticized the Stalinists for adhering to issues of the 1970's. According to him, this is evident in their attitude toward the notion of wage policy, among other things.

Aitamurto said that the moderate Communists in the Construction Workers Union were even surprisingly decisive. According to him, now they want to turn the union's union committee into an active committee that complies with the decisions of the group. Aitamurto said that they are fed up with constant votes.

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CSO: 3617/127

## BRIEFS

CP METAL WORKERS CANDIDATES ANNOUNCED—The Communist faction of the Metal Workers Union has submitted the names of Veikko Lehtonen, the union's current second chairman, and secretary Harry Vainio to the union administration as its candidates in the union congress elections to be held next fall. The Communist faction on the Metal Workers Union executive committee reached a unanimous decision on the matter on Wednesday. The Social Democrats had already earlier announced their own candidate for the chairmanship to succeed current chairman Sulo Penttila (Social Democrat), who is retiring. Their candidate is Per-Erik Lundh (Social Democrat), who at present serves as SAK [Central Federation of Finnish Trade Unions] secretary. On Wednesday the Metal Workers Union urged the national government to submit proposals to Parliament for the improvement of job security. According to the position adopted by the Metal Workers Union executive committee, such improvement should be at least equivalent to the conditions labor organizations have already agreed on. The executive committee also proposed that social security payments be restored to their original level. In the union's opinion, employers' responsibility should be emphasized in meeting the costs of these payments and in future the funding of social security should not be based on increases in the sales tax. [Text] [Helsinki HELSINGIN SANOMAT in Finnish 19 May 83 p 10] 11466

STALINISTS RETURN TO SKDL PARLIAMENTARY ORGAN—On Thursday the Communist Stalinist minority gained representation on the SKDL [Finnish People's Democratic League] parliamentary committee, to which Stalinist representatives Mikko Kuoppa and Ensio Laine were elected. The Stalinists have not been represented on the committee since they marched out of the SKDL parliamentary delegation at the first meeting following the elections. A couple of weeks ago the Stalinists returned to the delegation and Esko-Juhani Tennila, who was elected to Parliament outside the Lapland ticket, also became a member of the delegation. Parliamentary delegation chairman Veikko Saarto initiated the negotiations for the return of the Stalinists to the delegation. As we know, the Stalinists were aiming for three seats. Kuoppa and Laine were finally chosen for the seven-member parliamentary committee without a vote. However, Lauha Mannisto (People's Democrat) registered his dissenting opinion in the minutes and northern members of Parliament Arvo Kemppainen (Communist) and Niilo Koskenniemi (Communist) criticized the decision in their turns on the floor. Appealing on the basis of his committee chairmanship, Vappu Sailyoja (People's Democrat) stayed out of the parliamentary committee. The filling of the parliamentary committee was pushed through secretly without their even issuing a communique. [Text] [Helsinki HELSINGIN SANOMAT in Finnish 20 May 83 p 9] 11466

## LAJOINIE: PCF VIEW ON AUSTERITY POLICY; PROPOSALS ON CRISIS

Paris L'HUMANITE in French 7 Apr 83 p 4

[Speech by Andre Lajoinie, chairman of the communist group of deputies, to the National Assembly]

[Text] Following is the complete text of the speech by Andre Lajoinie, chairman of the communist group, to the National Assembly:

The new government comes before the National Assembly immediately following the municipal elections and the violent monetary speculation against the franc--a circumstance which has caused the Council of Ministers to adopt the austerity plan of which you, Mr Prime Minister, have just spoken.

The Right had hoped to receive, from the municipal elections, the impetus that would have enabled it to deal a severe blow to the government's policy and call into question the legitimacy of the majority. It has thereby demonstrated once again that it finds our institutions acceptable only in the measure that it itself is exercising power.

Despite a violent and demagogic campaign, the Right failed to attain its objectives.

It suffered a defeat. There was no slippage toward the right of the electoral spectrum; the Left held firm. As in 1981, the communists contributed their full share to that result. They did so with the aim of making an effective and unified contribution to the work at hand.

As they have done for the past 2 years, the communists intend to continue discharging all their responsibilities with a view to continuing on the course that was initiated in 1981.

In the government, in parliament, in the municipalities and in the nation, their heartfelt desire is to contribute to the unity of the people's forces and affirm the action of the Left majority, respecting the commitments that have been jointly made. They are doing so with the means provided to them by universal suffrage.

This attitude on the part of the communists is in no way accidental. It is in accord with the strategy set forth at our most recent congresses, which is to do everything possible to transform society--progressively, at the pace desired by the French people--toward greater justice, greater freedom, greater social and economic progress: toward French-style democratic socialism.

Our country has set in motion during these past 2 months a program of substantial reform--months which have, however, been marked by a worsening of the crisis and a decline in the industrial production of the industrialized capitalist countries.

The number of unemployed is more than 11 million in the United States, 3 million in Great Britain, and 2.5 million in the FRG.

France is the only country that has stabilized its unemployment and increased its economic activity.

France is also the only country where the purchasing power of wage earners has been improved, thanks primarily to the increase in the SMIC [Interoccupational Minimum Growth Wage] and the improvement in the family allowances. During the same period, however, the international financial circles, big business, and the French Right launched a large-scale monetary offensive in an attempt to cause the failure of French policy and force a return to austerity.

#### Race for Capitalist Profits

The crisis we are suffering is the crisis of an economy that gives priority to capital over labor, seeking profits through the downgrading and limitation of wages. It is the crisis of a world where the augmentation of capitalist fortunes constitutes an end in itself.

This "forward retreat" has led capitalism--particularly in France, where the performance of investments is strongly controlled--increasingly to seek its profits in speculative activity.

During the first decade of the crisis, the economic and financial circles practiced a policy of redeployment and austerity. Research and productive investment were sacrificed.

Equipment and machinery became obsolete; the research effort decreased by comparison with the level of the 1960's; a crisis even developed in education. As for vocational training, it was of only slight benefit to blue and white collar workers. In 7 years approximately 1 million jobs were eliminated in industry.

The profits that were made were not used to develop domestic production. On the contrary: with the assistance of the government, management invested abroad, closed factories in France, and drained entire regions.

When it took over the government, the Left accordingly found a production apparatus that was in decline and, in some sectors, abandoned. Our industry has not entirely met the increased demand resulting from the recovery in 1981; it has been unable to respond to the changes that have occurred in the tastes and needs of the French people.

The state of our productive apparatus has accordingly had a profound effect on the foreign trade results recorded in 1982. The weaknesses of that apparatus led to an increased dependence on foreign countries for producer goods, and more recently for consumer goods. Our increasingly unfavorable trade balances in 1982 were concentrated in the industrialized countries (and particularly in the EEC): the overall unfavorable balance more than doubled, reaching a total of 64 billion francs.

This trend was amplified by the sharp rise in the value of the dollar, whose violent fluctuations gave rise to unbridled speculation against the franc.

#### The Right Is Disqualified

This structural weakness in our economy is a legacy from the forces representing wealth and the Right. This disqualifies the Right from posing as someone who can teach us anything.

The Right has in the past demonstrated its incompetence in the matter of solving France's problems. It has proved itself incapable of proposing long-term solutions.

How can the French people place any trust in those who are today claiming the right to criticize the Left? When they criticize foreign indebtedness, can we forget the heavy responsibility they bear for these successive lapses that have reduced and impoverished our productive apparatus? Are they not responsible for runaway inflation, which was 100 percent greater than the rate for the preceding 7-year period, while at the same time the franc was losing 40 percent of its value against the deutsche mark?

These same critics did not hesitate to countenance speculation against our currency. Their apocalyptic campaign served as a screen to conceal those who were betting against the franc and against our economy, and who were able--when the monetary adjustment took place--to pocket substantial profits.

However, with the basic reforms passed since 1981 by our National Assembly, France now possesses decisive tools for rectifying the situation.

For these are the reforms that are necessary to cope with the problems that afflict our nation.

Important social progress benefiting the employment situation has been made:

- a. Rectification of low wage levels and social service benefits.
- b. Alleviation of shortening the workweek.
- c. Retirement at 60 years of age.



- d. Vocational training for young people.
- e. Increased rights for workers in business enterprises.

In the economic sphere, nationalization of the large industrial groups has provided the opportunity for a new dynamism in the service of the nation. During the 4 preceding years the private stockholders had siphoned off from these enterprises three times the amount that they had contributed in the form of their own funds. They had embarked these enterprises on a strategy of forced internationalization which led to a decline in investment in France; to increased indebtedness; and to the elimination of entire categories of production for the benefit of foreign countries. The instrumentalities are now in place to reverse this process.

Nationalization of the banks should assist in putting an end to the wastage of financial resources; to the diversion of these funds into speculative operations; to the flight of capital; and to excessive charges levied by banks on industry.

In the area of decentralization, an effort has been undertaken that will give local collectivities their autonomy and the means for genuine intervention in the operation of the economy.

These are some of the decisive tools that France has created for itself during the 22 months of the government of the Left.

It is all the less desirable to cease implementation of the new policy instituted immediately after May 1981, in that the majority has these important instrumentalities for making progress on the road to national recovery. These reforms must now be put fully into effect and utilized effectively to meet the needs of the nation and our people.

#### Rehabilitate the Production Apparatus

France needs stricter implementation of a Left-oriented economic and social policy, especially in connection with rehabilitation of the production apparatus; this should, in our view, be the basic task of the government.

The solution to the problems facing the nation is not to be found in any austerity program for the workers, for that would aggravate our difficulties still further. It is, on the contrary, to be found in the mobilization of the nation's human resources behind the rehabilitation effort in order to surmount the obstacles created by those who place their selfish and partisan interests before the national interest.

We do not underestimate the repercussions of the international crisis on our economy, but we do not accept the notion that the crisis will be fatal and that all we can do is bow our heads.

The workers are in no way responsible for the crisis. We can work on the causes of the crisis in France itself; moreover, we have obtained better results than our neighbors.

It is therefore necessary to increase the efficacy of governmental action on those questions that are crucial for economic growth, national independence and social justice. Defeating unemployment, reducing inflation and remedying the foreign trade situation are a national imperative, and the communists are firmly determined to help in achieving this result.

This is the direction, therefore, that we wish to impart to the effort required of the French people. The solution cannot be passive acceptance of an austerity program which past experience has shown will do nothing more than weaken the production apparatus. On the contrary, we are asking them to participate actively in the implementation of the new policy--in the utilization of the tools that we now have at our disposal.

The communist deputies have shaped their thinking, and their proposals, in accordance with this attitude of struggle against the trade deficit, unemployment and inflation.

#### The Communists' Proposals

Although we have adopted these objectives as our own, we are concerned about certain measures contained in the governmental regulations which--while giving insufficient weight to considerations of social justice--could weaken the economy and make the struggle against unemployment and inflation more difficult without, however, providing a durable equilibrium in our trade balances and balances of payments.

The proposals we are making to complete and improve the government's plan have but one objective: to make more effective the policy that has been put in place. I shall summarize these proposals into two comprehensive series of observations:

In the first place, it is crucial to establish perspectives that go beyond the current action under the governmental plan, and to study the means of implementing them. You have, Mr Prime Minister, cited the government's industrial projects.

We agree that the public sector should be relied on for support in national economic development, that modernization of the traditional industrial sectors should be promoted, that the research and training effort should be reinvigorated, that the policy of funding major projects should be pursued, and that an effort should be made to obtain better conditions for the financing of industry and housing.

It is also important that the government continue its action to carry out the democratization of the public sector and the broadening of worker rights, together with intensification of the fight against unemployment.

We believe that the objectives of rehabilitating the French economy and industry and combating unemployment and inflation should be at the center of the

government's action together with a reduction in the trade deficits. These objectives are absolutely inseparable.

Any relaxation in the pursuit of any of these objectives would in turn threaten attainment of the other objectives. A decline in the purchasing power of the workers, for example, could not fail to reduce the markets of our industrial establishment and thereby weaken it; increase unemployment; and aggravate the trade deficit.

We believe that the public sector should play a leading role in rehabilitating the French economy and industry. This is why we are proposing to conclude planning contracts with the nationalized enterprises, so that we may produce competitive products to take the place of the surfeit of imported products and develop new techniques to implement the priority objective of winning back the domestic market.

These contracts should stipulate the nature of the cooperation to be established among French enterprises (and possibly also with foreign enterprises) based on reciprocal self-interest, with the public enterprises pledging to expand employment, to seek stability in prices, and systematically to reduce their exports of capital, for it is time to eliminate this continuing temptation on the part of industrial groups--including the public groups--to invest abroad rather than to "produce French." The nationalized banks should also enter into planning contracts whereby priority would be given to the financing of national production that is competitive and generates employment.

The national government should accordingly revise the provisions governing the allocation of credit. It should exercise strict control over the export of credit in the form of foreign exchange, in order to limit the extension of such credit and to modify its objectives in the interest of our products and of balanced cooperation.

We further propose--also as an aid to national recovery--that the 10 percent obligatory loan be used on the one hand to finance vocational training (whose future role in industrial development and the fight against unemployment cannot be overemphasized) and on the other hand to finance the creation--on a priority basis--of productive employment in those sectors that are deficient in this respect.

The banks should grant credit preferentially to enterprises that welcome on-the-job trainees and pledge to give preference in hiring to young people and the unemployed.

Lastly, so that the resources generated within the enterprises may assist in the development of production, measures should be taken--by means of appropriate taxation and strict controls--to discourage capital outflow and speculation.

A reduction in the amount of monetary compensation resulting from the recent monetary adjustments within the European system should resolutely be undertaken, for these export taxes and import subsidies in connection with the

food and agricultural trade are penalizing France, aggravating its trade deficit, and placing our farmers at a disadvantage.

To give impetus to this national recovery effort, the government should initiate a large-scale campaign to promote French production.

No type of support, and no instrumentality, should be disregarded.

This should be the role of the projected interministerial delegation, as well as of the regional territorial collectivities (whose economic powers should be expanded within the framework of the decentralization program) and of our parliamentary committees, which should take the necessary initiatives.

#### The People's Mobilization Requires Social Justice

The workers--and their organizations and enterprise committees--should likewise be invited to join in this national effort. They should find--in the laws that expand their rights within the enterprises--effective means for intervention on behalf of industrial recovery, jobs, equilibrium in foreign trade, and the struggle against inefficiency.

This people's mobilization, however, will not be achieved in the absence of social justice.

Many workers and their families are experiencing serious difficulties in making ends meet--difficulties that will be aggravated still further by increases in public tariffs or measures already approved such as the unfair hospital contract.

The national economic struggle will not be won if we sacrifice their interests and impair their purchasing power, while persons of great wealth will virtually be exempt from making the effort required.

These are the aspects of the governmental regulations that have elicited our reservations and call for significant improvements--in particular, a broadening of the exemptions from the 1 percent deduction for Social Security and the obligatory 10 percent loan.

This is the second series of observations that I would like to make. We believe it is possible to lighten the tax burden that the governmental plan proposes to levy on families of moderate income, while preserving to a great extent the total of revenues envisaged.

Let us not forget the great inequalities that exist. One out of two wage earners makes less than 5,000 francs per month (not counting the unemployed), while there are 170,000 families each of which possesses an average total wealth of 1 billion centimes.

We therefore propose an increase in the rate of taxation on large fortunes.

I recall that on the motion of communist deputies, the Finance Committee adopted an amendment providing for creation of a new tax bracket for large

fortunes: 2 percent on the value of a fortune in excess of 1.5 billion centimes. You yourself, Mr Prime Minister, declared on 26 January 1982 that the government would take this proposed amendment under consideration during 1983.

Also with a view to making those who can afford it pay taxes, we propose that the 1973 Giscard loan, indexed to gold, be transformed into obligations.

This measure would in no way result in despoiling the bondholders, because these bonds would bear interest at the normal rate for government bonds. It would put an end to a serious scandal--one perhaps without precedent in our history--causing enormous, unwarranted sums to be paid to taxpayers.

We must realize that for this loan--which in 1973 brought into the Treasury a total of 6.5 billion francs--the French taxpayers have already paid out a total of 13.97 billion francs in interest. Moreover, it is estimated that in the year 1988 100 billion francs will be paid on principal and interest--in other words, more than our total trade deficit and in fact more than 15 times the capital initially subscribed.

This transformation into obligations will effect budgetary savings of approximately 3 billion francs per year in interest, and in 1988 tens of billions in payment on principal.

To finance Social Security, we propose to earmark the proceeds from a new tax on income derived in the form of capital gain, interest and dividends--income which, unlike other types of income, is not subject to taxation under governmental regulations--except of course the return from the people's passbook savings accounts.

These measures would make it possible to increase the number of families exempted from the 1 percent withholding tax on income provided for under the government's plan.

They would provide relief for low- and middle-income families, in consideration of their family expenses and the changes that have gone into effect, for a study of the 1 percent tax shows that these families would have their tax burden increased substantially more than that of families in the high-income brackets.

The same would be true in the case of the amount withheld for the obligatory loan, which for high-income taxpayers would merely be a transfer of savings but would on the other hand be a severe drain for everyone else. The ceiling for exemptions should be raised. One should also take into account the decline that has occurred in the income of these families, and consider adoption of a progressive tax rate that would make this measure equitable.

Lastly, I would not wish to conclude this analysis of the governmental plan without expressing our concern regarding the impact on the situation that may result from elimination of certain budgetary appropriations for public enterprises and government agencies. I cannot emphasize strongly enough to the

government that these decisions should limit--to the greatest possible extent--the social consequences and also the consequences with respect to investments for the future.

These are the principal observations that the communist deputies decided to make with respect to the provisions of the government's plan.

We do so with the desire to strengthen the efficacy of this plan, so as to contribute to pursuit of the new policy initiated in France in May and June of 1981.

#### Reservations

We would like to make these proposals specific, in the form of our amendments to the texts that are scheduled for debate.

You have in fact just announced, Mr Prime Minister, the government's decision to adopt these measures in the form of regulations, that is to say, by means of decisions that are not subject to parliamentary debate.

I must voice our most explicit reservations concerning this procedure--which has no justification--and, above all, concerning the rapidity of execution of the government's plan, for we are prepared to meet at once--exercising the constitutional prerogatives of the Parliament--to specify the provisions that we would like to see improved.

Under these conditions--and without abandoning our attempt to amend the qualifying bill which authorizes promulgation of the regulations along the lines that I have indicated above--the communist parliamentary group reserves the option of not voting for this bill in the event its amendments are not taken into consideration.

#### Freedom for National Rights

The policy adopted by France following the monetary readjustment should make it possible for the nation fully to preserve its freedom of choice in all areas. It should reject the domination of the dollar within the framework of the international system, just as it should reject submission to the mark within the framework of the West European system. Whatever the European and international environment may be, France has the means to enforce respect for its freedom to choose its own policy--a policy that has been approved by universal suffrage.

We do not lack the instrumentalities to make us respected by France's partners, even by those that have rightist governments.

Simultaneously, international cooperation should be developed in Europe, with the socialist countries and with the developing countries, in order to contribute toward a new world economic order that will be equitable, profitable for all peoples, and a guarantor of peace.

Since May and June of 1981, France has been dealt several trump cards. One should hesitate all the less to play them in that the democratic gains set forth in the aforementioned texts remain all too often unrealized potential. The government and its majority should take into account the current of uneasiness and discontent recently expressed among the voters of the Left--a current that has not been caused by the social policy of the government but by the persistence of unemployment, the insufficiency of purchasing power of low and medium-wage earners, and the austerity of living and working conditions.

The importance of the reforms that have been accomplished is not always perceived consciously, because the resultant change has not penetrated daily life or the workplace.

It is up to the workers to create democracy, to enrich it through their capacity for innovation. It is not enough for a majority view to be expressed through the instrumentality of universal suffrage. Respect for this democratic choice requires that the workers be mobilized to defeat all maneuvers by the reactionaries.

#### A New Kind of Citizenship

France has need of a greater measure of democracy. As the crisis has worsened, capital has been alienating our citizens from the government and reducing the workers to silence. In order to emerge from the crisis, this process must be reversed and democracy developed in all its dimensions. There must be a new kind of citizenship of the workers at the workplace.

At the same time, the far-reaching reforms now in progress are raising the stakes of these struggles. The government and its majority must therefore be based firmly on the workers.

The government and the majority must strive all the harder to enlist the workers to be the actors in this process of change in that the media frequently distort governmental policy or remain silent on the subject.

The workers have demonstrated that their intervention has been indispensable in connection with implementing the orientations of the Left, and they have achieved significant success in the areas of employment, purchasing power, and the exercise of our freedoms.

In this connection, the present session should include a discussion of various important projects. The law concerning democratization of the public sector should permit the workers of the national enterprises--through the medium of elected representatives on the boards of directors--to be in the vanguard of this new citizenship.

The laws concerning the Ninth Plan, and the new general statute for public employees, should contribute--each in its own particular context--toward this indispensable enhancement of democracy at the workplace.

This is all the more important in that the CNPF [National Council of French Employers] is constantly striving to make everything that goes on at an enterprise the exclusive business of management. The workers should be able to make concrete proposals (and have them implemented) that are designed to combat inefficiency and excessive imports; to control prices, the destination of investments, and the selection of products that are competitive; to improve working conditions; and to negotiate wage scales whereby purchasing power would rise for low and middle-income wage earners.

This kind of orientation responds to the interests of the people and of the nation.

The workers do not want a return to the Right, which brought the nation to the brink of bankruptcy. They are ready to make the effort asked of them, on condition that it be relevant to the quest for a solution to the crisis. The communists have a heartfelt desire to contribute--on the basis of their common interest--to the unity of the men and women who are victims of capitalist exploitation.

The communists are on the offensive--within the framework of this unity--to defend the workers and their families, reduce the intolerable evil of unemployment, keep the enterprises working, provide vocational training and stable employment for every young person, and enhance our freedoms--so that democracy may become a living reality.

It is because we want all the commitments jointly made in 1981 to be kept, and because we want the policy of a united Left--a policy approved by universal suffrage--to be successful, that we shall vote our confidence.

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CSO: 3519/441



## PRESENT ND POLICY SEEN ANTIQUATED ; RENEWAL URGED

Athens I KATHIMERINI in Greek 19 May 83 pp 6, 7

[Excerpts] "Forward, New Democracy! ..."

That was the shout of a party giving battle during the most recent elections. However, that "war" cry must now be heard again. In "peacetime." So that the passion and the determination of the party faithful to fight be made known. To fight this time, though, not only against the enemy which claims the power, but against another enemy whose existence many of us had suspected while it appears that the great masses are just discovering it and believe it exists. Not only that it exists, but that it has done great damage. All are decided not to allow it to act against them in the future. It appears that there is now a common consciousness that the electoral battle was lost because it was fought in only one direction, against one single "enemy": the other political parties.

Today's difficult times, which give one pause, have uncovered the real enemy that prevents the development of our wide-range alignment. Today this is the real enemy: The old, obsolete political mentality. Ourselves. Our antiquated line. The lack of innovative imagination in a concrete ideological framework. The use of old weapons and equipment in the struggle.

Forward then, to vanquish our only implacable "enemy": The spirit of the past which sometimes may have rightly served us. We have no other enemy.

The time has come for us all to be drafted to do battle against the old mentality. Let's make the great decision which, at the same time, will be a saving offer for the country.

Let the errors, the sins, the old weapons be buried along with the bad mentality and spirit which was useful heretofore, but today we must adapt. And in their place a contemporary, healthy, robust organization will sprout to answer the hope of the nation, today's demands of the people. Our disappointed democratic people.

This people was thirsty for something else.

Even in its milieu it sought change by voting for new faces in both the national and municipal elections, full of hope and expectations ...

And now it sees with sorrow that the newly educated leaders, whom it elevated to power, have failed. It senses that it has been often fooled terribly. And it bows its head, embittered, often without having the courage to admit that it made a mistake.

Honest and able citizens, born and raised in this country, who have offered much until today, hesitate and await our decisions to rise and fight.

The overwhelming majority of the people know what it wants. Wisdom, responsibility, seriousness and justice are what this people demands. It wants: to know that its leader manages its labor honestly; and a State that will protect it and care for it. Usually it is persuaded easily. Now, however, that it was "once bitten," who is going to convince it that it will guarantee such an administration of public affairs? Those on one side have fooled it and failed. What are we, the others, doing?

#### What We Must Do

The people are taking only some timid steps towards us. They do not want, they say, to go backwards. Because we have been slandered as being backward. And the brain-washing to which the people were subjected on this point was, perhaps, effective.

With a refreshed and clear ideological credo and with an up-to-date moral armament, let us clarify and proclaim, in a holy manner, our ideology. Let persuasion and reason replace empty slogans and rhetoric. Let moderation expel exaggeration. Let calm take the place of seething. Let new ideas, principles, solutions and procedures, expressed by new exponents, take the place of the obsolete.

We must give the people the guarantees it is demanding as soon as possible. Let us convince them that this country does not simply renew itself, but is reborn. That we are not attached to political labels, characterizations and dogmas. That, on the contrary, we are renewed in all the areas without exception, that we are ready to lead it where it wants and expects to go. That at its head there is a new, vigorous organization which captures the beat of the people and struggles to convert their hopes into action.

To date we placed enough emphasis on the negative elements of our opponent's policy. Their inconsistency, their political dullness and their failure. All the "anti." Now, the time has come to build. To take positions. To declare opinions, credos, principles and plans. We have much to say ...

#### Let Us Complete a Half-finished Job

The thoughts which are expressed here are not, of course, new. They were expressed sometime ago by the founder of ND who sensed early on the modern political currents and the need to adapt the Greek reality to them. However, his decision was interrupted by his accession to the presidency of the country, as was demonstrated, and dictated by national reasons, whose analysis, of course, is beyond the scope of this article.

That effort must now be completed and, for that matter, urgently. We are, surely, the only contenders for that democratic space and that restless spirit. Let us strengthen and widen this space.

The adversary does not lack political savvy and ease in any kind of well-steered maneuvers and will soon show himself to be, we are afraid, a dangerous opponent.

For this we must win the battle as soon as possible. The waiting and the despair are evil counselors to a people who are already disappointed. The results could be even worse for the country. The people are in agony. Forward, New Democracy.

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CSO: 3521/324

## SURPRISING ND STANCE ON RELATIONS WITH ISRAEL

Athens AKROPOLIS in Greek 21 May 83 p 2

[Text] We understand PASOK's negative vote during the 19 May balloting in the European Parliament on the conclusion of full diplomatic relations between Greece and Israel. Our country's present government follows the worst kind of policy it could in international relations--that is, an "ideologic" foreign policy which, let us note, not even Moscow follows despite the fact that it is the Mecca of an international politico-ideologic movement. And it has thus managed to embroil us in international oppositions and disputes from which we have every reason and interest to keep distant, such as Israel's dispute with certain Arab countries, particularly the Palestinians. Even recently, when the agreement between Israel and Lebanon occurred, Mr. Papandreou publicly objected to it. Many people wondered: What business did he have meddling in an affair of interest to two foreign countries? Is he prime minister of Greece or president of Lebanon?

However, what we do not understand at all is the abstention of the New Democracy Eurodeputies from the voting in the European Parliament, during which, we should note, the proposal for conclusion of full diplomatic relations between Greece and Israel was passed with an overwhelming majority. Why did ND lay down such a line? Perhaps it was afraid it will be lacking in progressiveness compared to PASOK? Or did it not find the courage to go "against the tide" which PASOK has carelessly created with its anti-Israeli hysteria? Does it not understand that it thus contradicts the soundness of its foreign policy, which is founded on the development of friendly relations with all countries and avoidance of interference in their internal affairs and oppositions between them. We have no reason and interest in becoming unpleasant to any country, as long as it does not insult and bother us, of course. Let us leave to others the role of gendarme or guard of one "ideology" or another.

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## ALLEGED INCORRECT ACTIVITIES IN EMBASSIES ABROAD

## Ambassador to Sweden

Athens I VRADYNI in Greek 20 May 83 p 3

[Text] A Swede, green, but also...Poniridis [Greek "poniros" translates to "cunning"]! I am writing about our new meritocratic ambassador to Stockholm, comrade Man. Poniridis. Who not only has as much of a relationship with diplomatic service as Mr. Koutsogiorgas has with socialism, but is also a Swedish citizen.

This Swedish citizenship was an obstacle for the Swedes who were unable to accredit their fellow citizen as a foreign ambassador to their country. Of course, neither did it occur to Mr. Poniridis to give up his Swedish citizenship. And since Mr. Poniridis found the cunning solution, to suspend his Swedish citizenship as long as he is Greek ambassador. And he will become Swedish again when "Allaghi" falls and they send him back where he came from.

(Greece to the Greeks--and a little to the Swedes--and of course the "arrogant ones" of our foreign policy pass us up for Swedes...!)

## Brazilian Press Attache

Athens AKROPOLIS in Greek 19 May 83 pp 1,9

[Text] Mrs. Zarkada's statement that she is a journalist, which she made to obtain her appointment as chief of the press office in the Greek embassy in Brazil, is proven false.

Her assertion is felled once more by the great Brazilian newspaper GLOBO which, in a very recent publication, makes the following statement: "By mistake, an employee in this newspaper's personnel section stated on 21 May 1982 that Evfrosyni Zarkada-Branco had offered her services to GLOBO as a reporter on international subjects. The person referred to, as was verified a posteriori, never worked with the newspaper as was reported in its 8 March 1983 issue."

It is clear that this great journalistic organ of Brazil was particularly annoyed because Mrs. Zarkada inaccurately and falsely cited--in order to obtain her appointment--that she was a contributor to GLOBO. And, therefore, she has a non-existent journalistic capacity, a qualification which was the justification for the government hiring her to exercise the duties of chief in the Brazilian Press Office.

Aside from the fact that criminal liabilities are created for Mrs. Zarkada's false statements, the government will have to dismiss her immediately since she deceived a state service in order to secure her appointment.

Furthermore, since undertaking her duties in Brazil, Mrs. Zarkada--as AKROPOLIS has repeatedly disclosed--has carried out her functions in a manner which was openly partisan in PASOK's favor, with her co-star, her husband, who is Brazilian and works in his country's state service.

Mr. Branco reached the point of threatening diplomatic employees in his effort to subject them to the party commands of his wife who, while in the service of the Greek State, has U.S. citizenship.

In previous AKROPOLIS disclosures about Mrs. Zarkada's duties and days, and about the inaccurate data she cited in order to say she has journalistic experience, Deputy Press Minister Maroudas had appeared publicly as her supporter. And he had reiterated his support for the PASOK protegee, even when AKROPOLIS published accusations made by a fellow countryman in Brazil that Mrs. Zarkada is in contact with Aslanidis who had fled abroad so he would not be tried for his participation in the dictatorship and is now living with his wife in Brazil.

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## STRUGGLE REPORTED AMONG HIGH PASOK OFFICIALS

Athens I KATHIMERINI in Greek 31 May 83 p 3

[Article by N. Nikolaou]

[Excerpt] In the highest PASOK echelons a battle is now raging between officials in both the Central Committee and the Executive Office [EG]; it is often taking destructive forms. The group which initiated the purges is using such harsh methods to politically exterminate those who are a hindrance to its effort to subjugate the party that at the moment it has paralyzed every power of resistance within PASOK and top EG officials are waiting with fatalistic apathy for their hour of dismissal to come.

Public opinion, but particularly those people who follow PASOK, have no certain information about the machinations; perhaps this is natural since in dark party mechanisms civil disputes always unfold behind the scenes, far from any publicity.

The rumors making the party rounds are contradictory about the scene of the struggle. At any rate, according to the prevailing interpretation, a plan for the party's capture by the leading group surrounding the prime minister is under development. The plan provides for entry to the EG of Minister to the Prime Minister M. Koutsogiorgas (whose ambitions extend to his dreaming that he will become prime minister with Andreas G. Papandreou as president of the republic), Minister of Public Order Gian. Skoularikis and Politburo Director And. Livanis.

On the other hand, it appears that the elimination of P. Avgerinos and P. Moralis has become ripe. It is said, in fact, that the latter's removal is also a warning to Minister of Interior G. Gennimatas whose strength within the party is being undermined.

Many government factors are now talking about a relentless war of Koutsogiorgas, Livanis and Skoularikis against the branch committees whose officials will be wiped out. At any rate, it is characteristic that in this war YPEA [National Security Service] files about 400 PASOK officials are being mobilized and are now being examined by the party leadership.

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## PERSONALITIES ALLEGEDLY INVOLVED IN PASOK SUCCESSION STRUGGLE

Athens I VRADYNI in Greek 17 May 83 pp 7, 12

[Text] Lately there have been multiple indications that an unseen, but implacable "war" is raging behind the scenes in PASOK for the conquest of the number two position, after Mr. A. Papandreou, which is necessary for the control of the Movement and particularly of the Central Committee from which some day the successor to Andreas may emerge. These indications are:

The moves to restructure the Executive Office where different "powers" seek the entry of ministers, Messrs. A. Koustsogiorgas, Ger. Arsenis, K. Simitis and Ap. Kaklamanis; and the ouster of Movement cadres such as Mr. A. Khristodoulidis, Minister P. Avgerinos and the deputy ministers, Messrs. P. Moralis and K. Laliotis.

The infighting between Ministers G. Gennimatas and A. Tsokhatzopoulos for the control of the party machinery. The culmination of this infighting was the "exercise" of 23 February when Mr. Tsokhatzopoulos was out of the country and his collaborators were ignored during the mobilization.

The "game" played around minister of Foreign Affairs, Mr. Io. Kharalambopoulos. There are "powers" which favor his promotion to the vice premiership of the administration in order to replace him with the minister of Agriculture, Mr. K. Simitis, who is considered to be one of the contenders for the number two position in PASOK. There are, however, counterbalancing "powers" which impede the promotion of Mr. Kharalambopoulos because they fear that his stock in the struggle for second place would thus be increased.

#### The Struggle for Succession between the Old and New Guard

Who, then, are the "dauphins" of PASOK? The answer can be had by evaluating the history of certain cadres of PASOK within the movement, the positions they hold in it and the government today and the influence they have in the party, in Parliament and even in the State machinery. All this, naturally, in conjunction with the "props" which secure the "behind the scenes" area.

#### The Alevras Case

Typically, the number two position belongs to Mr. Alevras, not only because he



is the president of the Chamber of Deputies, but because, in influence, he is the second most important figure in PASOK after Mr. Papandreou.

Mr. Alevras holds only advantages in the struggle for the number two position, which opens the door to the leadership.

As president of the Chamber of Deputies he is considered one of the most successful and he is the only one of the "hierarchy" of PASOK officials who has managed to stay afloat after the sinking the government party suffered.

In addition to his experience in parliamentary work, he has a rich past as a union leader, a fact which offers him the opportunity to know extremely well one of the areas where social problems occur and their solution as well as the development of political operations.

His political "epaulets," as well, are overloaded with distinction in political battles, beginning with 1963 when he was elected deputy for the first time. However, the apex of his battles is considered to be the period of the dictatorship when he was arrested three times, was jailed, tortured and exiled.

Founder, with Andonis Livanis and Giorgos Papadimitriou, of PAK (Interior) [Panhellenic Liberation Movement] and faithful to Andreas since 1963, he commands the respect of the deputies of the Movement.

In the difficult days PASOK is going through ever since it became the government, Mr. Io. Alevras has become the hope for its salvation in the minds of the parliamentary cadres and especially his veterans. Politically, though, he attracts the cadres of the old Center. Those who are elbowed out by them, such as Messrs. G. Papadimitriou, N. Athanassopoulos, St. Tsaparas, Il. Katrivanos and others, as well as many young ones, visit him in his office in the Chamber of Deputies and bring him the "pulse" of public opinion, which as time goes by, beats stronger and more disagreeably for PASOK.

To be sure, Mr. Alevras maintains formality and does not allow anyone to open up a conversation on matters of succession and political developments following Andreas Papandreou.

To third parties, on the other hand, he projects his position as president of the Chamber of Deputies in order to nip in the bud any attempt at conversation.

"Robespierre"

Immediately after Mr. Alevras, the next in line, hierarchically, as contender for the number two position is the first ranking minister: the minister to the Premier, Mr. Ag. Koutsogiorgas. The attorney from Patrai who from being a simple gendarme went on to study law in Paris and become a friend of Georgios Papandreou and a close collaborator of Andreas.

As does Mr. Alevras, Mr. Koutsogiorgas moves in the middle of the road and is against any Marxist openings. As opposed to the moderate president of the Chamber of Deputies, Mr. Koutsogiorgas is intransigent and intensely fanatical, a fact that makes him an especially negative personality.

With persecutions of opponents of PASOK, followers of ND, which he engineers by means of bills and sudden amendments, he is responsible for a climate of new division in the political life of the country--a fact which belies the calls of the premier for moderation.

His fanaticism and his tendency to clean house is such that he can be characterized as the Robespierre of the "change."

Mr. Koutsogiorgas and Mr. Katsifaras are the two most trusted confidants of Mr. Papandreou and, for that matter, they are considered to be the Papandreou family's secret counselors.

During the dictatorship he was arrested, tortured and exiled.

His influence on Mr. Papandreou is such that the head of PASOK trusts him so much that the planning and implementation of the "restructuring" of July 1982 were entrusted to him exclusively.

It is Koutsogiorgas who last year undertook the ousting of his hierarchically superior, Mr. Lazaris!

#### Limited Hopes

Third "dauphin" of the old guard is Mr. Io. Kharalambopoulos, minister of Foreign Affairs. He is the same age as Andreas. Although he comes from the conservative faction, he was first elected deputy in 1963 for EK [Center Union]. Ever since then he has been a middle-level cadre of that party.

The political climb of Mr. Kharalambopoulos was set during the dictatorship when he was arrested three times, was savagely tortured and was exiled for as many times, once at Giaros.

In the years after the political reform, Mr. Kharalambopoulos became the second parliamentary representative of PASOK after Mr. Alevras.

Although a moderate, it appears that the situation of the Diplomatic Service of the country has slipped from his control because of partisan activity. And it is to his detriment that there are no career diplomats except party officials as ambassadors in the embassies in London, Paris, Rome, Stockholm, Tripoli and the EEC!

Mr. Kharalambopoulos' influence on the parliamentary group of PASOK is very limited and his likelihood of becoming a successor is cast merely as a formality.

#### The Neomarxists

Of PASOK's new guard, those projected as heirs are Messrs. G. Gennimatas, A. Tsokhatzopoulos, K. Simitis, G. Arsenis and A. Kaklamanis.

Of these, the first four are considered members of the Left wing of the Movement and propaganders of ideas that go from social democracy through socialism and popular democracy to Marxism.

The results of the struggle among the four of the Left tend to be in favor of Mr. Kaklamanis who is considered a moderate and a representative of the middle-of-the-road faction.

Mr. G. Gennimatas, 43, comes, as does Mr. A. Tsokhatzopoulos, from the all-powerful "engineers" branch of PASOK.

Without a political past worth mentioning and without any anti-Junta credentials, he found himself in PASOK from its foundation and climbed to the top thanks to his organizational abilities and his methodical work during the pre-electoral period.

As minister of Interior, he pushed bills which confirmed the leftist character of PASOK (recognition of EAM [National Liberation Front] - ELAS [National People's Liberation Army] - EPON [National Panhellenic Youth Organization], the return of political refugees from behind the Iron Curtain, etc.).

His position shows as a "plus" two previous bills as well as the bills by the cross [voting preference] being abolished and the vote given to the 18-year olds, etc.

Against him are the loss of votes for the party in the municipal elections and the failure of many nome governors in their performance.

Mr. A. Tsokhatzopoulos, of the same age as Mr. Gennimatas and of the same profession, split with him the "keys" of the political machinery.

His political past begins at the time of the dictatorship when he was in Germany where he was active against the dictatorship. It is the period when he developed contacts with the German social-democracy.

However, his meteoric rise coincides with the political reform and is in step with the rise of Gennimatas.

The advancement of both, unknown until 1974, cadres appears in retrospect to have been planned to neutralize the rise in the party of other high-sounding names such as those of Sakis Karagiorgas, of F. Filias, of K. Simitis, of Khr. Rokofyllos, etc.

Even the assigning of the Ministry of Public Works to Mr. Tsokhatzopoulos was an act intended to show him off as a government cadre as well.

However, as opposed to Mr. Gennimatas, Mr. Tsokhatzopoulos "remained" as minister of Public Works although he has not yet shown any serious achievement, a fact that diminishes, with each passing day, his influence on the parliamentary group and the party machinery.

#### Frightens the Party Establishment

Mr. Kon. Simitis, 47, university professor, with a background of advanced studies abroad and political activity during the dictatorship when he was a member of PAK in Germany, has made a more impressive beginning than the former within PASOK, after the political reform.

His personal assets and his abilities, however, "frightened" the party establishment which found an opportunity to punish him when, as opposed to Mr. Papandreou's extreme position of "out of EEC," Mr. Simitis said, "Yes, to the EEC of the people, no, to the EEC of the monopolies." And this is the position that PASOK adopted in the end!

As minister of Agriculture, Mr. Simitis appears successful, though in fact even he has failed as is demonstrated every day, one time with the potatoes, another with the prices of agricultural pesticides, and yet another time with various other pointless measures which have angered the farmers.

Mr. Simitis is considered to be a socialist by tradition and conviction (his father was in the EAM and he himself is one of the socialist theoreticians of PASOK).

Mr. Apostolos Kaklamanis, of the same age as Mr. Simitis, was a poor boy whose struggle in life paralleled the political struggle.

Despite Mr. Kaklamanis' continued presence for years in the social sidelines, from a financial standpoint, he never became friendly with leftwing socialist ideology. In the end, he climbed all the steps of success thanks to the liberal system.

Apostolis, as he is called by his friends, was one of the trail-blazers of the university student and union movements and one of the leaders of the 114 [Art.114 of the 1952 Constitution] and the 15 percent [of the budget for education].

He was a fanatical supporter of Giorgos Papandreou even in the Old Man's difficult years when certain opponents of his were saying that he was the leader of a party with one follower: Apostolos Kaklamanis.

The years during which Mr. Kaklamanis made his mark were the years of determination when he became president of the Students for EK and later on, of its youth group.

Today, his opponents within and without PASOK attack him by alleging that during some stage of the dictatorship he had consented to talk with the dictators. The fact is, however, that Mr. Kaklamanis was intensely active against the coup and as a result was arrested and imprisoned three times, while at the same time he was forbidden to leave Greece.

Mr. Kaklamanis has the support of the moderate, middle-of-the-road cadres of the youth group and the party.

In recent months, Mr. Gerasimos Arsenis, 52, appears as one of the heirs of PASOK.

His stock is lower than that of his other colleagues although his personal dossier as a scientist and a technocrat is considerably heavier than those of all the others.

His studies at well-known MIT in America and his successful service in the United Nations, Mr. Ger. Arsenis was used as Pandora's box to cope with the economic woes of the country. He was proclaimed the "tsar" of Greek economy in view of the fact that, for the first time in its history, the positions of the first-ranking economic minister and the governor of the Bank of Greece are held by the same person.

In the meantime, a year after his installation, the ground shakes beneath his feet because he has failed to solve the economic problems of the country.

Kastri, however, continues to invest in him its hopes and the "group of Americans" is pulling the strings for his candidacy.

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## KKE SEEN CHANGING TACTICS VIS-A-VIS PASOK

## Summer 'Offensive' Expected

Athens TO VIMA TIS KYRIAKIS in Greek 22 May 83 p 9

[Article by Panos Loukakos]

[Text] After a delay of about 20 days from what had been originally planned, last Tuesday, 17 May, KKE launched the most intense attack thus far against the government. The attack was delayed because KKE did not want to express it at the same time as the general commotion caused by the cancellation of Mr. Burt's visit to Greece at the end of April and the outbreak of strikes in the mass transit systems. Last Tuesday, however, the destined time had apparently come.

The KKE Politburo denounced the government for its income and foreign policies, for the dictatorial way in which it exercises power and for the practice it follows in the mass communication means.

All these are simply the first course for what will follow starting in June. Beginning then, KKE will launch a many-sided attack against the government, initiating essentially a political campaign, which will take on a pre-electoral form next winter as the May 1984 contest for the European Parliament approaches.

The goal of this political campaign, as KKE officials describe it, is to project an alternative to PASOK and New Democracy. Its points will be:

1. The government is continuing the policy of unilateral frugality which had been initiated by New Democracy and which the entire opposition had denounced at that time.
2. The government is, in essence, practicing the foreign policy of New Democracy, though trying at the same time to deceive the people with verbal pyrotechnics.
3. Just like New Democracy, the government is devoting itself to a systematic tactic of brainwashing through radio and television, falsifying or concealing true facts.
4. The government is practicing its policy with a pure and unthinking dictatorship, creating again a problem for democracy in Greece.

KKE's summer attack will manifest itself in a first phase with speeches by its officials to gatherings throughout Greece, with articles in RIZOSPASTIS and a more intensive activity than heretofore in the trade-union area. In the fall, after summer recess ends, KKE will transfer its attack to the Chamber where Kh. Florakis will take on the principal burden of confrontation.

At that time, as KKE estimates, the wave of strikes will have spread even further. KKE will not make efforts to stop the strikes; on the contrary, it will take the lead, trying to direct them to institutional and political demands, not narrow economic ones.

These developments, which are beginning to be clearly depicted today, had been prognosticated by TO VIMA in two successive memoranda on 17 and 24 April. The events of last week confirmed that KKE is adopting a new tactic vis-a-vis the government, a tactic which will surely cause intense reactions from the other side.

Up to now, the government had tried to prevent the communist party's attacks and to avoid creating a front to the left. And it had succeeded to a degree. But the scene is changed now. For this reason it will have to be expected that analogous to the intensity of the attacks will be the counter-attack against KKE which the government will launch sooner or later. Arguments will not be lacking from this side either.

The tactic which PASOK will follow vis-a-vis KKE will probably be decided in the coming weeks--at any rate in June--when existing prospects will have been formed most clearly. It is certain that the reckoning will be tough from both sides.

#### 'Allaghi' Uninfluenced by Hardening Stance

Athens EXORMISI TIS KYRIAKIS in Greek 21-22 May 83 p 4

[Article by Sotiris Kostopoulos]

[Text] KKE appears to be abandoning its determination to "critically support" the PASOK government, which had been chosen at its eleventh congress, and is passing onto a phase of hardening, as is shown by its tactics lately in various sectors of political life. This impression seems to be confirmed by "indications" from the Central Committee Politburo.

The target is mainly the government's income policy. The various judicial decisions on the strikes which tormented the people of Athens are characterized as dictatorial measures. With this reasoning, the workers on whom "the burdens are unilaterally thrown" are called to "strengthen unity in their action, on a class base." At the same time, suspension of the bases negotiations is sought. And, third, the mass communication means are accused of discriminations against KKE which "sometimes take the form of provocations."

Let us make it clear one more time: The policy of the PASOK government is determined by its own choices only. What rules is the interest of the nation which is covered with an independent, clear and consistent line. And the people are served with economic and social measures having a sure return. In our many-voiced

republic, every party is entitled to have and proclaim its opinions. Of course, so is the traditional KKE. But it is not entitled to sacrifice the truth to its internal party needs to stop "differing viewpoints" which bring pressure on the leadership and drive it to desperately repeat mistakes which were shown to be fatal and are a burden in its journey.

It is not entitled, that is, to present itself as a party of the workers and, at the same time, fight a policy which benefits the workers especially. Because surely the wage-earner's income is not served with circumstantial, intermittent offerings which, in the final analysis, extend the vicious circle to the economy. It is served with a substantial recovery; a taming of the inflation which levels any income coverages at hand; an increase in productivity and a decisive confrontation of unemployment which is the worst form of social injustice; and with those structures with which the socialist transformation is achieved.

What is happening to KKE that it deems its well-known policy of blinders more suitable? Why--and, in fact, with acrimony--does it persist in the line of easy demagogism, with inconsistencies, contradictions and stimulants? Those who keep abreast of internal party developments clearly perceive the facts and the party controls.

Its leadership apparently is not successful in controlling, and, by natural consequence, opposing, in certain "contests" of differing viewpoints which are "developing" within KKE as concerns confronting the government. One could say that a certain rebellion is being noted from the trade-union areas, a certain compelling movement of the tough ones who have been activated against the tactic of advantageous moderation.

Those KKE members educated with the dogmatic formula of "clear" goals are inspired by the idea of their implementation. They are self-fanaticized. And they have arrived at a phase of acrimony, particularly against the government's income policy. The party's leading factors respect the margins which have opened for the party since its legalization. And, to a degree, they consider anything which would lead to crucial risks detrimental. However, they are not succeeding in making their positions more predominant than "heretical" viewpoints and in asserting their authority in the clash of differences. Thus, it is becoming clear that perplexing initiatives are being forced which oppose their own choices.

It is a development full of dilemmas, a development which brings it into a parallel position with the tactics of the Right. Thus, it is not avoiding that which it was especially trying to avoid: coming closer to the Right. In no circumstance would KKE wish to appear to be sailing together with the Right. With its "much-esteemed" new policy--in spite of its frantic effort--it is becoming the Right's fellow-sailor in failure.

An anticipated failure. Because Allaghi, which is steadily proceeding, deducts ground for experiments dictated by vacillation and internal party assuagements. Its achievement, "with consequence, steadfastness and method" in its studied outline, politically and morally isolates distortions and defamations.

It takes any ballast from declarations of expediency. And it vaporizes sophisms. Because how can the aphorisms about the bases suddenly stand when, once again with



his speech in Komotini, Prime Minister Andreas Papandreu reiterated that negotiations are not being carried out for the bases to remain, but to leave? Or how can verbal sword-drawings against the monopolies be persuasive when supervisory councils have already begun operating? How can the words about popular sovereignty ensnare when participation in local self-government, neighborhood councils and assemblies is becoming a daily act?

Of course, the accusations about the mass communication means are unworthy of being answered. One question only to KKE would suffice. What specifically are the discriminations against it which turn into provocations? And when was the proportion of labor problems projected ever as wide as it is today?

No one is trying to dissuade KKE. Its firm reasoning is well-known and its cogitations are clear--as is the government's goal most clear: Allaghi. But it was unable to be stopped. An historic demand, it emerges directly from the people's longing for a life worthy of its capabilities. It has been correctly routed, is being achieved, and has begun to yield a return.

Never before in such a small time has there occurred so much decisive for national independence, popular sovereignty, consolidation of the republic, and extension of political freedom with social justice. The goals are such that one would expect a general participation in the effort.

PASOK is not influenced, however. It passes by and proceeds beyond sabotages and underminings. Its support is the people and its guide the awareness of its responsibility.

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## EXISTENCE, TRANSFER, OF SPECIAL DOSSIERS QUESTIONED

Athens AKROPOLIS in Greek 20 May 83 p 2

[Text] PASOK had assured us in every pitch and with screaming sloganeering that as soon as it took over the power it would abolish the "dossiers." Even for that it "kept" its promise. It kept them with an increase in the protection of their contents, in the cases where they involve political individuals, as if it were a treasure that must be guarded in the vaults of the Bank of Greece.

The revelation was made by "New Democracy" deputy, Mr. Mbalkos, at one time minister of Public Order, who submitted to the Chamber of Deputies a document which corroborates the "trustworthiness of the statement." This was followed by an official confirmation by the present minister of Public Order who stated that the order of the ministry's secretary general to concentrate all the dossiers for political persons in the National Security Service was issued to prevent leaks of their contents. Marvelous.

We are not in the least interested in dossiers kept on criminals. On the contrary, we believe that it is mandatory to have all the data to make their identification when needed. We have no quarrel about these dossiers.

However, we have the situation of two categories of dossiers, according to the official admission. Those which concern private citizens, which by order of the government are to be kept by Security Services having jurisdiction, and the others, which pertain to ministers, deputy ministers, deputies, Euro-deputies, secretaries general of ministries, governors of banks and State agencies, which must be transferred to the YPEA [National Security Service] and be kept as long as matters of national security are involved.

From here on, points emerge and questions are asked while, naturally, no credible answers are expected from the government, or, if it gives any, they will again not be the least enlightening. The first point is: For what reason does the government maintain a dossier on citizens if they are not related to criminal activities? What business does it have to watch those whom it does not honor with its approval? And how does this reconcile itself with their destruction? The second and perhaps more important point is of a double nature: The government admits that it maintains dossiers on political and other persons whom itself uses in various positions. Can it tell us why it is doing this? Does it not trust them? And for what reason, on the other hand, is it talking about "dossiers" on those persons who are of interest from the point of

view of national security? Is that to say that the persons it uses are nationally suspect or subject to suspicion of anti-national activities? Or, perhaps, it knows that they have a blemished past which does not coincide with a spotless national activity? All this is strange and unexplainable.

The other side of the same point is that the order to send the dossiers to YPEA is accompanied by a list of the names of the individuals whose dossiers are to be transferred. Here, regardless of the government's method and its justifications, a very serious point emerges: The people want to know which of those who govern in various positions, have been involved in activities that interest YPEA. We demand to be informed immediately, at least in order to avoid a repetition of the mud-slinging tactics which are especially liked by those who do not love the truth and are cowards, who confront their opponents deviously.

We are awaiting the list of names of those whose dossiers are going to be sent to the National Security Service to be published "here and now." And then we will judge. The government has the obligation of doing it to protect the prestige and the reputation of its own people. And the people have the right to know in detail what is happening.

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## REACTION TO PAPANDREOU CIRCULAR, REPORTED RESIGNATIONS

Athens AKROPOLIS in Greek 18 May 83 pp 1, 9

[Text] A new admission, proof of the government's incompetence, was made by Mr. Papandreou in a memo which was circulated yesterday "to carry out the administrative job."

As a matter of fact, with his circular--which he had announced on Holy Tuesday, when he himself spoke about the "malfunction" of his government--Mr. Papandreou:

Confirms what has been written on the indescribably sad state reached by the government and the entire State machinery under his premiership;

Teaches--under the guise of guidance and threats--the ministers how to carry out their duties;

Announced that the ministers will be tested every three months. Their job-performance will be checked and they will account for any eventual delays;

Revealed the real role and the reason for the creation of his multi-member Political Office. It follows, in essence, that the men who surround the premier constitute a directorate, they are in fact a super-government which has concentrated all the administrative power in its hands.

The Resignations of the Five

This new--official and public now--reduction of the Council of Ministers, is expected to aggravate the opposition and the quarreling already existing. And there are quarreling and discord and resignations of ministers despite the clumsy "denials" of the government's spokesman.

As a matter of fact, yesterday while Mr. Maroudas was trying to dispute the revelations of former minister, Mr. Giannis Varvitsiotis, that five ministers have submitted their resignations to the premier ("No," he said, "they have not submitted their resignations. As soon as they submit them I will bring them to you."), reliable sources reported to AKROPOLIS that:

It is absolutely true that the five ministers have submitted their resignations in the past two months as revealed by AKROPOLIS.

It is reported specifically that the minister of Health and Welfare, Mr. Par. Avgerinos, has told the premier twice that "his resignation is at his disposal."

Exactly, actually very recently, the same thing has happened with Mr. Arsenis, as well as with the minister of Finance, Mr. Dim. Koulourianos. It is reported additionally that their statements to the premier regarding their resignations were made in an angry tone.

Finally, with regard to Messrs. G. Moraitis and N. Akritidis (ministers of Commerce and Communications) told Mr. Papandreou that "he has their resignations" when, in the presence of third parties, he plainly told them that "they have made a mess," that they have "failed."

#### New Model

It must be pointed out that the influx of opposition of this kind disturbed and worried Mr. Papandreou who did not accept the resignations because he concluded that it would have been a tremendous blow to PASOK and to him personally. He preferred--the reports say--to wait and "cut down" any "insolent ones" who dared to raise their heads in the next reorganization.

Independently, however, from the reorganizations and the slaughter that the premier wants to effect in the government and the State machinery, he has, at the same time, begun to "put into operation" the "new model of administration" that he has devised.

As initially reported, Mr. Papandreou intends to install a new type of government whose main characteristic will be absolute, total concentration. He will, in fact, exercise power with the group of "advisors" whom he has around him, while the ministers will be decorative elements without a voice.

#### Every Three Months

It must be said that in the "premier's group" (which, in essence, will concentrate all power in its hands) belong the ministers to the Premier, Mr. Menios Koutsogiorgas, and Merchant Marine, Mr. G. Katsifaras, as well as the governor of a large bank. They, with two or three other "invisible" men of Andreas, constitute the "directorate from which everything depends."

In Mr. Papandreou's circular "to carry out the administrative work," it is mentioned, among other matters, that:

"At the end of every three-month period, beginning with 31 August 1983, every minister will send to the premier an analysis containing the segments of the Government Working Plan (KPE) and the Legislative Working Plan (PNE) which have been implemented during the three-month period. For the parts of the programs whose implementation is delayed, the reasons for the delay must be submitted."

9731

CSO: 3521/326

POLITICAL

GREECE

BRIEFS

VAFEIADIS REGAINS CITIZENSHIP--By decision of Minister of Interior Gennimatas, citizenship has been restored to Markos Vafeiadis. Vafeiadis recently came to Greece after living in eastern countries for thirty-four years. [Text] [Athens AKROPOLIS in Greek 25 May 83 p 1] 9247

CSO: 3521/334

## LUBBERS ON CABINET PROBLEMS, INF SITING

Amsterdam DE TIJD in Dutch 13 May 83 pp 8-15

[Interview with Dutch Prime Minister Ruud Lubbers at the Binnenhof by Gerard Driehuis and Frenk van der Linden: "Ruud Lubbers, MP: 'I Expect No Decision on Deployment This Year'"; date of interview not given; passages enclosed in slantlines printed in italics]

[Text] "The VVD Has No Policy, But Is Arbitrarily Building Castles in the Air."

Ruud Lubbers rules. Previously, "the misunderstanding" that he had no opinions was prevalent, but a half a year of "unloading his irritation and his own feelings of guilt" has put a definitive end to that. An exhausting interview--by agreement "not about economic commas and decimal points"--in which the prime minister speaks out in an unusually tough manner. "There is a steel ring around the cabinet."

From the moment Dr R.F.M. Lubbers shakes our hands under the chandelier in the turret of the Binnenhof, he demonstrates his positive attitude: no hurry, and especially no acting too formal. The prime minister will stop at nothing to create a relaxed impression: language stripped of all cloudiness, ambiguous smiles, scornful gestures and explicit answers. From time to time even a story. "I met with Dyess, the American ambassador, the other day," he says casually. "I say, 'How are you?' 'Fantastic,' Dyess says, 'the PvdA [Labor Party] congress this week condemned not our conduct, but that of the French Socialists! Hey you can use that.'"

Lubbers illustrates his self-assuredness with several strong statements too.

If he had been in Van Agt's shoes from 1977 to 1981, he would have firmly asked the VVD [People's Party for Freedom and Democracy] Minister of Education Aaron Pais to move on.

The South Africa issue is worthy of a cabinet crisis.

The PvdA is slipping at a quick pace to the right. The VVD has no recognizable policy, but simply a couple of loose items heaped together.

The prime minister regularly rubs his eyes at Nijpels' statements.

The deployment of cruise missiles in the Netherlands is not necessary in military terms and a decision about them is unlikely this year.

If parliament rejects the cabinet's final decision on the missiles, he will resign.

And this list can easily be expanded.

/Why do you really want to be prime minister? It's a rotten job, extremely tiring, and it's never done well. But you seem almost cheerful at it./

"Yes. In fact, bluntly yes. I see no merit in coming across with complaints. Why do I add that? Because I have terribly difficult problems, but I take these disappointments into consideration in advance. It was a stimulus to go do it and to do it /actively/. So it doesn't help to appear low-spirited or depressive."

/Sometimes it seems even laconic./

"I think I have a tendency to be truly interested in the facts. This leads in many eyes to something like, 'So, this means such and such for this and that reason.' You can call it laconic, but it is also an attitude with content."

/These days you are ever so lucid, one might even say intelligible./

"The prime minister is freer than the parliamentary fraction leader. Earlier, the misunderstanding was prevalent that I did not have a grasp of certain things. Error: that had to do with the fulfillment of duty, one had to make everyone happy. Now I don't do that anymore. I agreed with Van Agt about many things, but not about everything. In addition, the position he himself had was not always predictable. That meant that a fraction leader who supported his prime minister had to surround himself with a great deal of caution. Furthermore, the CDA [Christian Democratic Appeal] was in a developmental phase, with all its sensitivities and the various trends of that time. I was able to choose: either a leadership role or the role of a conciliator, a receiver. Well, each thing caused for its own part a vague image of me, a compromising image.

#### Finally Doing Business

"This function has a liberating quality for me." Then, with that terrier-like pull around his mouth: "I really do want to do business. One of the motives for taking a tough line is that I had a lot of difficulty in the long run with the absolutely /crawling pace/ that turned up in politics, that /standstill/. I came to the conclusion--a surprise for me as well--that the problem was not whether /good/ decisions were being made, no, the problem was that /no/ decisions were being made.



"From then on my attitude toward the cabinet was different. This was not as striking to those on the outside, because it took place internally, but in the last year of that cabinet I have often actually said, 'Hans, Dries, we really have to make some decisions now!' One example that did come out was my debates with Wiegel about cuts in education of 900 million. But that didn't go through. I said to Van Agt, 'If I were in your shoes, I would definitely ask Arie Pais to go, because this is demoralizing and I see it affecting the whole team.'"

/Would you now send a minister packing who blocks cuts in his department?/

"I talk about this comfortably because it is a purely hypothetical question right now. My answer is, apart from your formulation, an unqualified yes. Of course, I don't decide that alone; one's colleagues and the chairmen of the parliamentary fractions must give their judgements as well. But ultimately a decision for dismissal is brought about on my recommendation. All around this issue hangs the feeling of 'That's not done, it's improper,' but the interim dismissal of a minister is quite allowable in our system."

#### Emergency Situation

"But again, as to the past." Lubbers picks up the thread of the conversation once more. "When the second Van Agt cabinet was formed, I thought, 'Now there's a political basis for action. The country is moving into an emergency situation, but the people at the top are willing to meet with one another. I felt that I wasn't necessary there and assumed that Van Agt, Den Uyl and Terlouw would manage things. But then a light feeling of irritation quickly arose because no steps were taken, and this irritation mounted to more and more." With these words, Lubbers clenches both fists and with those that follow he lifts them both to heaven. "So, now I'm unloading that irritation and my own feeling of guilt!"

/So from that: you're putting your house in order./

"I do indeed think that that's the kick of it. I do indeed try to have the meetings proceed efficiently. One pleasant thing is that so far we have not had an evening meeting of the cabinet."

/When you were on Den Uyl's team as Minister of Economic Affairs, that did happen./

Smiling at his own subtlety: "Next to many, many good memories from that time, I have one bad one--the hours of talking."

/We have been told that you actually get involved with everything, from the Media Memorandum to the South Africa boycott./

"My selection lies to an overwhelming extent with the shaping of a decision, I want to be there for that. Keep an eye on where the pitfalls are, sort out which colleagues disagree with each other and why, bring solutions--that's what I busy myself with. This begins with a bit of advice, if necessary a discussion in order to agree on something and, if need be, arbitration."

"Furthermore, I have to be custodian of the process; I have a list of what we have promised and every now and then I sit at my desk crossing things off. One difference with my earlier term as minister is that at that time I had the tendency to write memos myself and to rewrite those by lower officials. I don't do that anymore, I rely completely on the support of my colleagues. It may be that in the course of these 4 years one can emphasize oneself too much, step on people's toes, or be in people's way. But so far that isn't the case."

#### Awkward Situation

/In short: if a decision is made, you are emphatically present./

"Yes, but my greater concern is the threat that somehow no decision might come up. An example: the Society for Industrial Production [MIP]. I had hoped that, in a manner of speaking, the newspaper headlines tomorrow would read: 'MIP decides on such and such investment project.' But that's still not the case. Look, then I get the feeling of 'HEY, I've got to do something about this.' Then I go ask Van Aardenne how it stands. Then I make a mental note: when I speak to Wagner (whose commission recommended the establishment of the MIP--Ed.) again I must draw his attention to the fact that a rather awkward situation is arising. Decisions simply must be made. Do something, people, get rid of this stick-in-the-mud spirit. I hope that our do-demeanor has a certain radiating effect."

/Lubbers as an example./

"It does perhaps sound awfully nice, but I take that into consideration. Allow me this tangent: part of the stagnation problem has to do with the complexity of society. Life has become more refined and, besides the quantity of our welfare, we have started watching over the quality: environmental demands, area planning requirements, the extension of legal protection and democratization. If you set that up side by side, you have to conclude that we have begun to live too intricately to still be able to do anything. Imagine now that before you take a bike ride you would have to do 12 things; wouldn't then the tendency to stay at home arise? Then 'stay where you are and don't move' would arise. One sees the same thing in the process of forming decisions: too many people are involved in it, too much advice, you can't get out of it!"

#### Wim Already Saw It

/Until the end of the 1970's, political tensions were oriented towards the refinement of mechanisms for testing compatibility, of management, of regulations. And now we have the no-nonsense cabinet that preaches deregulation. There is something of a cultural break./

"Yes, in the view of people over the role of politics and the administration something has happened. This was already taking place when the Van Agt-Den Uyl-Terlow cabinet was in office, but they didn't perceive it totally. They could have easily picked it up. They didn't because they and their parties

were stuck in their traditional oppositions. There were continually points to be scored in the name of political profile."

In a lecture tone: "And now another point as an economist. The issue of how much the finance budget must be reduced returns every time. I'm not saying that this isn't important, but it's not the heart of the matter. But in politics it's often made the heart of the matter. If you become blind to that fact, it can lead to stagnation, inch by inch. It is because of this that it went badly at that time between Van Agt and Van der Stee on the one hand and Den Uyl on the other. I believe that there were then many more possibilities than were realized in practice. Of course, the PvdA was having that internal discussion between Max van den Berg and the others. But something indeed could have come out of it, really. It went wrong--and I am jointly responsible for the blunder--because the principal actors had a role forced upon them by tradition, by the parties to which they belonged. And I mean emphatically /all/ principal actors. In this way, we lost sight of the possibility of another sort of welfare state through deregulation. Read the arguments made by Wim Meijer as PvdA parliamentary fraction chairman during the second and third Van Agt cabinets. /Wim already saw it./ Well, now it's coming to that."

/That continual hammering on no-nonsense, in which you yourself gladly participate, gives your cabinet a rightist image. Annoying?/

"A little. Anyhow, making decisions is said to be a rightist quality. But I can't grasp why, with dossiers under one's arm, one has to spend 4 hours making a decision. Often it can be found just as well after one hour.

"Societal change through deregulation, that's more difficult. But I do want to maintain that style of decision making in this as well. Sitting still where you are can be found in the classical Left and the classical Right. In my view, processes of change are leftist, processes of preservation are rightist. In this way, leftist people can also be conservative."

Pure Conservatism

/Thus, according to you, the sustenance of the welfare state as we have known it for the last 5 years is rightist./

"Exactly. Take the labor unions. They were in the forefront at the time of the process of change in sharing the wealth. Presently their attitude boils down to this: Let's keep it as it is. The /let's keep it as it is/ by the nurse's union is just as conservative as the /let's keep it as it is/ by the medical superintendant. It's simply no longer the case that people who are doing well want to leave it as it stands and people who are having a hard time demand changes, no, everyone wants to /secure/ his own position. Everyone wants a change of course in this country, but no one is ready to give up his position for it." Bitterly: "The other guy first, yes."

/The newspapers open regularly with articles about unions and other interest groups which are gathering together against your "rightist demolition policy." Thus, they are all missing the point?/

"It strengthens the image that our policy is rightist. That is in and of itself a problem and calls for self-criticism. But there is also something behind it that the unions themselves are faced with. These are hard times, and precisely the unions must participate in the processes of change on their level. That's difficult for them. But it must be possible. You can compare a crisis with war. Tremendous exertions are required. The unions must learn to redefine their self-interests. One day that will indeed break through. Something that doesn't seem to be a self-interest now can be one in the long run, and the unions are certainly beginning to see that. In the meantime, the tension and the misery are being translated again and again into saying /no/ to the administration. Saying no has become a national sport over the years.

"Sometimes I'm truly struck by word usage. I've been in politics a long time and you get many things hurled at you: 'The cabinet is evading the problem' or is 'completely unclear,' or 'has no understanding.'"

#### Their Own Problems

/And that is irritating./

"Not at all. It's just striking. I say that the fact that they need such words probably comes from their own problems. Hey, I see that with employers too. That which translates into criticism of policy is often rooted as well in the problems of those organizations themselves. That process is carried through to us."

/In that tide of protest the left wing of the CDA is reviving a little./

"I am still enough a member of the Parliament and fraction chairman that I think this is great. Members of the Parliament have a better antenna up for noises in society than the prime minister. He receives all the nice memos and analyses, but feeling out what can and cannot be done--that's easier for members of the Parliament. It does create a problem for the CDA, I admit that. Because, on the one hand, there is a desire for a clearer course by the political party, while on the other hand, the CDA is playing the role of /opening bidder/ in various directions. That can also happen in the division of roles between the parliamentary fraction and those in the administration. I must work out a course and those openings must take place in the fraction. Of course, that is indeed an enormously difficult task for Bert de Vries."

#### CDA Towards a National Capacity

/But how long will the CDA continue to play such a prominent role? A small problem: the aging of your voters, new voters who choose the "Sturm und Drang" politics of the VVD, the unclearness of the CDA itself./

"I'm not pessimistic. I believe that the CDA, while preserving the Christian values for which it stands, is evolving towards a more national capacity. Thus, not disassociating itself from others, but others letting themselves disassociate from it. I found that picture in DE VOLKSKRANT, in which Nijpels as rightist protest leader disassociates himself from what is happening in the CDA, very nice."

Smiling graciously: "Then there is the traditional role of the PvdA, which stems from a bit of old socialist tradition, but also from the rise of the little man in hard times. Through that promotion and protection of interests, the PvdA is for that matter, in my opinion, slipping to the right in the sense of conserving. This doesn't make it any easier for the CDA, because in relation to the PvdA, fighting for the little man, we seem to be slipping to the right. As surely as the VVD lets a nimble image be seen: no recognizable policy, but simply a couple of loose items heaped together. Arbitrary castles in the air. But to say now that all this put together means the decline of the CDA, no. It means rather the transition of the CDA to a party that is active on a national basis."

/That actually sounds vague. Do you mean that the CDA must no longer appeal exclusively to religious voters?/

"Exactly."

No Alternative

/But how far do you think you'll get now? Again: CDA voters are dying out, the PvdA is making more and more attempts to address the middle-of-the-road and the new growth is voting for Nijpels./

"OK, the PvdA, especially Den Uyl, is doing nothing if not its best to seem like an alternative party. For the time being that is unbelievable. It can indeed become believable, but right now I say, along with Jan Schaefer: the PvdA has no alternative. I believe that many people in this country know that. So each plays his role and each gets his part--is that loosely according to Vondel, or was it Shakespeare?

"The CDA is strongly governmental; it rules, and the parliamentary fraction quite clearly supports the cabinet. More clearly so than in the VVD. The latter does provide a little support, but at the same time always looks for and finds--Nijpels does at any rate--reasons to disassociate itself from the cabinet. I assume that he does that out of electoral considerations. As far as elections go, Van Agt sees things for us gloomily. As I've said, I don't. But I do agree with him on one point: dechristianization doesn't make it plain and simple. But I do believe that a party of Christians--thus not a Christian party--has a good future."

/Are you irritated at Nijpels, who regularly makes promises to voting blocks such as the elderly and painters, which are not entirely or not at all in keeping with what you and your colleagues have in mind?/

Stiffly: "I am not giving out grades."

/Recently in DE TIJD, CDA party chairman Bukman called him "a specialist windbag"; a lot of screaming, little accomplished./

"Now and then things happen where I think: How is it possible," he says thoughtfully.

/Like the time Nijpels demanded that AOWers [recipients of old-age pension], in contrast to other social benefit recipients, should not have to make payments during autumn, a demand that you had not heard from the mouths of the VVD members of the administration; or worse yet, with which they did not agree?/

"Yes, that too was news to me. Something like that I can't completely accomodate either."

/It's very different now than how it was under Van Agt-Wiegel; then, the VVD fraction was really a flock of sheep./

With understatement: "I do believe that that has more to do with Nijpels' personality in relation to Rietkerk's. I live now with the given that there will be from time to time the most unexpected statements. What Nijpels said about media policy surprised me too. The Media Memorandum is not even out yet, and he comes along with all that commentary. The passage from the draft memo that Nijpels spoke of is moreover in agreement with the broadcast law: /a broadcast should have a cultural identity./ There is nothing in the coalition agreement about tampering with that, and that means that the parties clearly assumed that the legislation as we now know it is good. Brinkman is not imposing some new censorship by which the TROS [Television and Radio Broadcast Foundation], Veronica and the AVRO [General Association of Radio Broadcast] will disappear! He is simply finding his place in legislation however it's laid out in parliament.

"And of course, that's what the broadcasts are doing as well. So then you rub your eyes at Nijpels' declarations, then you say: that certainly is a very special notion about things, there seem to be electoral goals behind it. But I don't let myself be driven into a sort of election fever. I have to count on the fact that it will continue to happen, I'm afraid. But a steel ring lies around the cabinet itself."

/Then it is indeed somewhat rusty, here and there. On 12 April two VVD ministers, Rietkerk and Van Aardenne, came here by Nijpels' order to say that the coupling of the level of civil servant salaries with that of social benefit payments must be loosened. What the cabinet (including the Liberal [VVD] administration members) had decided didn't matter./

"Oh yes, OK. That happens. From time to time we wear our party garb."  
Sarcastically: "Though not by choice."

You See There

/But through these rockets set off by Nijpels, these ultimatums and demands, the image of a quarreling whole is indeed slowly arising./

"Yes, and we shouldn't have that. I am known as a regulator, as someone who meddles everywhere..."

/A wheeler-dealer, according to members of the Parliament./

Lubbers continues undisturbed: "... and in this case I do not do my reputation any justice. I find this problem so obvious, I let it go. It makes sense to intervene only when something threatens to be overseen. But this is an overly obvious matter, right? It's a bigger problem for De Vries than for me. If you, as fraction leader, are that conscientious, you say: 'Come on what is this?' It disturbs me less than you think. In me there is a feeling of righteousness. I hear now how you comment on such behaviour and then I think: /You see there./ And that's what it is for me. This point in closing: if it starts to hurt the coalition, then I'll get moving."

/Until that time Van Aardenne will do it, one may assume./

"Yes indeed, I have complete trust in my colleague, Van Aardenne. He too has said 'Well, well, well' about this."

Visit to El Salvador

/More than on Nijpels and his escapades, the life or your cabinet will depend on the left wing of the CDA. You cannot lose too much support there. Is it then wise to stand before precisely those people every week with a new provocation: letting Minister Van den Broek travel to El Salvador, a memo on South Africa that says nothing.../

"First that visit to El Salvador by Van den Broek. You are looking at that wrong; when we were in Washington we distanced ourselves properly from the American ideas. We do not dispute that there are--besides Americans, incidentally--also Cubans, Russians and others who are active in this area.

But we /continue/ to push for negotiations. We do not agree with the Americans and everyone in the world knows that. Therefore, we must go there, but prevent such a visit from becoming an affirmation of such a regime."

/That would be very nice, but the government of El Salvador determines with whom the minister may speak and especially with whom he may not. Your intention doesn't stand a chance in a country at war./

"I'm not saying that it will prove to be easy to also get to speak to people other than representatives of the government. But think back on Max van der Stoep in Czechoslovakia. He too visited that country officially as minister of foreign affairs and did have a chance to meet an important representative

of Charta '77. That visit turned out to be more support for Charta '77 than for the regime. Van den Broek too must accomplish something like this in El Salvador. You have to be extraordinarily cautious with it, but my colleague Van der Broek will most certainly know that."

#### South Africa Memorandum Not Wrong

/The Charta treatment that El Salvador will apparently get will perhaps appease the CDA's left wing, but South Africa is more sensitive yet. Jan Nico Scholten and his group almost made a CDA-VVD cabinet fall over this question already./

"What we presented with our South Africa memorandum is decidedly not nothing. True, we did not announce a total boycott. But we do demand of Dutch businesses that want to invest in South Africa that they keep to the code of the International Labor Organization (ILO)." (This code forces labor relations that would provide rights for (black) employees which, in the racial society of South Africa, would mean something like a revolt.) "You have to read what we say properly; we demand from businesses that want to work in South Africa something which the South Africans will say is by no means in keeping with their apartheid. That is then the starting point for saying that such economic cooperation is wearing thin."

/Are we to understand that you did not reject the total boycott in order to minimise difficulties with the Dutch business community (read: the VVD), but just in order to go further? Do you think that, materially speaking, the government's point of view goes even further than an economic boycott?/

"In its effect, yes. I am convinced of that. An absolute cut-off of investments from the Netherlands would only lead to fraud. Detour routes for those investments would simply be thought up in that case. That would only be a symbolic step that would merely lead to fraud in practice."

#### Tough Proposal

/Fraud is possible enough in the system that you propose as well./

"That will perhaps be true for multinationals. But other Dutch businesses face the choice that they can either follow the difficult road of directing their investments in South Africa via another country or they can try to keep to those guidelines. Then they must introduce labor terms that are by no means in keeping with the situation there."

/How tough is this proposal?/

"Tough. Modalities can change of course, but it must be accepted in essence. Unless, of course, one is looking for quarrels with my cabinet by means of South Africa."

#### Secret Process

/On threats voiced about the coalition: if this cabinet ever falls, it will fall over the cruise missiles./



"I believe that we--regardless of our position, to station or not--must be able to win a majority in the parliament. And I also believe that we can make society follow us. That is my fervent hope.

"What provides an extra degree of difficulty here? That this is to a large part an international question. And partly a secret one. It is not an open political process of exercising influence and achieving measurable results which can be seen step by step."

/Exercising influence, for example, through informal contacts with Chancellor Kohl?/

"Certainly."

/In order to keep a finger of the pulse behind the scenes?/

"Of course, something like that is not free of political consequences!"

/Kohl plans to begin with stationing at the end of this year./

"I am convinced of that. If there are no results in the negotiations before December, Pershings will be deployed in Germany. That's a fact."

/The Reagan government really seems to believe that the negotiations in Geneva will not produce anything until deployment begins./

"That outlook springs from a hypothesis, and if it is true, the the outlook is true too. Well, I think the Soviets are following two paths: negotiation and shaping public opinion. As long as there is an undercurrent in the Kremlin that believes that what is necessary can be accomplished through the propaganda line, the readiness for negotiation will be at a minimum. We can stimulate that readiness by making it clear that, if worse come to worst, we are ready for stationing."

/So in your eyes there will be concessions from the Soviet side only when the NATO countries say: we are going to deploy./

"I think that's true."

Disagrees With Weinberger

U.S. Secretary of Defense Weinberger says otherwise. He declared last week that nothing will happen in Geneva until the first NATO missiles are put into place./

"I disagree with Weinberger. As people say this more often it becomes self-fulfilling prophecy. I put Kohl's visit to Andropov up against this statement. Is it for nothing? I do assume that he isn't paying a visit just to get acquainted and chat sociably. No, he's going to talk about middle-range missiles, among other things. That would be completely uninteresting in Weinberger's philosophy."

/Is deployment on the Western side a military necessity?/

Lubbers now weighs his words, the stream of speech flags: "It is... a political... and military answer to... the threat from the Soviet side."

/We ask because you wrote in TROUW of January 1981: "In my view it is not, militarily speaking, an absolute necessity to station them (the middle-range missiles--Ed.) in the Netherlands. Did you think otherwise then?/

"I don't wish to sound sly, but we were talking about deployment by NATO in Western Europe. I would not be able to insist, in speaking, that the deployment of x-number of missiles /in a specific country/, the Netherlands for example, is a military necessity."

/X-number? Is the deployment of less than 48 missiles, let's say one-third of that number, still an option for you?/

"During the negotiation process practically everything is an option for me, therefore reduced numbers are too."

/Van Agt said in the TV program "The Reverse Side of Right" that he deems it unlikely that the Netherlands will proceed to deployment in view of the resistance to it among large parts of the population./

"Well, now I have to disagree for once with my predecessor. Van Agt has always assumed the necessity of deployment somewhat more than I. Thus, he has been less convinced of the possibility of prevention through negotiations anyway. But the paradox is that over the years he has been more sceptical about the possibilities of democracy in order to make such a decision on deployment if it were to become unavoidable. I'm optimistic about it."

Haystack Blown Sky-High

/And what do you base that on?/

"Ah... what do I base that on?" He looks for a moment at the Binnenhof pond.

"I think that the credibility of the administration can be sufficient."

/Hmm. In that same TV program De Gaay Fortman Sr said that one-vote majority is not enough, that in a case such as this one a greater parliamentary majority is necessary. And Marcel Van Dam said recently, "Any government that thinks that it can decide something like this so easily with 76 votes is playing with fire."/

Somewhat wearily: "Typical Van Dam imagery: smoldering society and playing with fire. By and by everything comes together and the whole haystack blows sky-high! My, my. Then let the ex-member of parliament say this: /the/ parliament is the majority of the parliament. The majority is thus the

majority. That's one point. The second is that it must be possible to make this decision with a somewhat more ample majority than one vote. That would be possible if members of parliament are ready to weigh the pros and cons of the issue for themselves, individually; but on the whole members of the opposition parties respect the majority opinion in their fraction and they will be directed against the cabinet. In those parties the voting will be unanimous. I can still see the contorted faces of Max van der Stoep and Piet Dankert from votes in the past."

/They are both gone./

Counting Doesn't Say Much

"I am indeed that cautious. But understand me; merely counting 'there were so many for and so many against,' that doesn't say much. The opposition votes against the government en masse and within the government parties there will be people with divergent voting records. In an eventual decision for deployment the CDA atomic pacifists and the fraction members who have found room for their divergent opinion on this point will certainly vote no."

At the speed of a dictation: "But, you will say, you are not taking into account what's going on in society. Yes, I say to that, but that is handled in the judgement of the Chamber. If it passes a positive judgement with a majority, our decision must thus be carried out. Perhaps you go on with the following question: Should you not make such a decision with a larger majority than 76 votes? My answer: preferably, but it's not necessary."

"If we decide that we do not want the missiles, the same is true, for that matter. In that case too, many in our country will be worried. And that is /also/ true for members of parliament from the government camp. There are people in the government fractions who actually think that the missiles must come per se and who would cause a great deal of conflict if we decide /not/ to deploy."

/You mean the VVD/

"Yes, of course, of course. Everyone talks about people who have trouble in their conscience accepting a deployment agreement, but the opposite occurs too. People to whom you must explain, in the case of /non-/deployment, that communism really isn't so much of a threat."

"One more sentence on this. The sentence is: the function of a cabinet is not only to make decisions, but most of all to create enough authority in order to defend them in parliament and subsequently to carry them out."

Then You Fall Apart

/And if that doesn't succeed?

"At the moment that the basis of a government's authority declines, it becomes a hypothetical question whether you can go on. I would say: that government should no longer be there as is, there should then be another cabinet. If you

really think that something has to be done at a specific moment and you don't have the political and moral strength to convey it, and you stick to it, then you fall apart."

/You mean to say that you would not acquiesce to a parliamentary decision different from yours, leaving open whether it is for or against stationing?/

The prime minister seems to take time for a diplomatic answer by means of a ritual act. He massages his face vigorously for 10 or so seconds and proceeds to ruin his hair-style. Then he says in a friendly and forthright manner: "No, I wouldn't acquiesce to it and continue to govern as if nothing were wrong. The issue is worth a cabinet crisis to me."

/Is it conceivable that you will reach a different decision than the NATO partners, the United States for example?/

"The answer to that must be /yes/. It remains the Netherlands' own responsibility, no matter how embedded we are in the alliance. The conviction must be a serious one, the burden of proof a heavy one, but it can indeed be done."

/It's not so that the allied responsibility always surpasses the Netherlands' own convictions?/

"No, we cannot be participants, for example in a military action that, according to our eventual judgement, threatens to become an unlimited one, that contains elements of thoughts of superiority. That cannot be."

#### No Deployment Agreement

/The outline dictates--and everyone assumes so also--that the Netherlands will decide on stationing by the end of this year. Does that stand firm for you?/

"No. Two things are important: how things look in Geneva with regard to it and what we must do according to the outline in preparation for a possible deployment in 1986. Somehow in the course of the year we must at any rate enter into the active preparation phase: choice of site, that sort of thing. The agreement is that we will go talk to parliament when we make such a decision. The choice of site does indeed have not only a technical, but also a political significance.

"The negotiation process in Geneva got going rather late, and I expect emphatically that there will not be enough clarity on that level at the end of this year in order to come to a decision on deployment. That should not mean that the train of preparations should be halted, it must go on. If that doesn't happen it will be said in NATO: yes, but what are you really doing now? Then the idea is evoked that you're doing nothing. Doing nothing and omitting nothing is very nice, but you can't just sit still for 15 months."

#### Not a Tom Thumb

/Those most involved swear that the cruise missiles are an issue of conscience into which strategic considerations of a party political nature do not enter. Do you believe that?/

"A political judgement on whatever issue practically always has a party political strategic aspect. We politicians say once in a while: this is so important that that aspect shouldn't play a role. Then it is truly attempted, but it's a disappointment. It's inherent in politicians."

/You struggle with it too?/

"I can sincerely say that I am no Tom Thumb who contrives tricks. People do think that of me, and for that reason it's good to deny it again here. I don't see the nuclear arms question coolly and analytically like a hurdle that I have to get over."

/By means of a footnote to an agreement, a la Van Agt./

"Speaking in footnotes doesn't speak to me, you characterized that well."

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## NEW RIGHT OF CENTER GOVERNMENT ANNOUNCES PROGRAM

## Fight Against Inflation Stressed

Oslo AFTENPOSTEN in Norwegian 9 Jun 83 p 3

[Article: "The Main Thing is the Fight Against Inflation"]

[Text] "To dampen the growth of prices and costs will be a decisive consideration in the formation of finance and credit policies. As a means of carrying out the socioeconomic goals there must be real reductions introduced in the overall direct taxation of persons, families and businesses. All who pay national taxes will get a reduction in marginal tax," said a government statement which Prime Minister Kare Willoch presented yesterday in the Storting. It further said that there will be efforts to improve business conditions generally, in preference to selective support to individual firms and special branches.

It is emphasized in the government's statement that the work of reorganizing the state's participation in petroleum activity will continue. The need to separate Statoil's commercial and administrative tasks has a central place in this work.

The tempo of development in oil exploration and research will be maintained so that freedom of action is ensured in the expansion policy and in a satisfactory development of production.

Reform work with a view to freedom of choice and variety in radio and TV will continue. The government will look favorably on commitments from others besides the state in near radio and expansion and use of cable TV. A new nationwide TV channel is being prepared.

All the government parties are independent on the abortion issue.

The prime minister began by noting a number of points from the combined positions of the three coalition parties:

- Respect for human worth and life.
- Rule of law and trust in the individual person.
- Responsible natural resource management and protection of nature and the environment.
- Global equalization and increased help to poor countries.
- Peace, security and mutual disarmament.
- Employment for all.
- Social equalization and security.
- Strengthening marriage and the position of the family.
- Spreading of power and property and respect for our mixed economic system.
- Better conditions for business.
- Active fight against inflation.
- Measures for encouraging increased initiative and investment.
- Active district policy to create security in the workplace and dwelling.
- Better housing policy with emphasis on reasonable shelter costs.
- Equal educational opportunity for all.

Kare Willoch continued in his statement to the Storting about the government's main lines:

In the worrisome world situation it is especially important to be able to confirm that the government's foreign, security and defense policies are firm. The active work for reduction of tensions, arms control and balanced disarmament will be advanced. We must continue to give extensive and effective aid to poor countries, and work actively for a new economic world order.

It is a main goal for the government to secure the foundation for the welfare state and employment both in the short and long term. In order to attain that, it is essential that inflation be further reduced, so that it will not be higher than the average for the nations with which we compete, and so that the country's ability to compete is maintained, and preferably increased.

## Risk

The predictions for oil income in the coming years are very uncertain. It will therefore involve considerable risk for our economic freedom of action if our national economy is increasingly made dependent on income from oil activity. The government will therefore ensure that the balance for "continental Norway" is not further weakened.

Until we succeed in raising the growth of the national economy, it is necessary to limit the total expenses of the state and social security budgets, and the deficit for loan transactions for state and social security budgets seen as one, corrected for oil taxes.

## Tax Reductions

As a means of reaching the socioeconomic goals, there must be real reduction in total direct taxes on persons, families and businesses.

With reduction of business taxes there is emphasis on stimulating new business and the formation of capital. An investigation of family taxation is taking place as quickly as possible, with a view to changes for the best for families with children, which can be worked into the changes in personal taxes during the rest of the Storting period.

It is emphasized that reductions in the taxation of people contributes to reducing income requirements and thereby dampens inflation and eases the situation for working and business life. It is further emphasized that all who pay national taxes get a reduction in marginal taxes.

During formulation of the tax policies care must be taken that these, together with other income for municipalities and counties, protect the possibilities to solve the tasks that they are imposed for.

## Business

We will endeavor to improve business conditions in general, in preference to selective support to individual firms and special branches. Thereby this form of support and capital transfer to state companies will gradually be reduced. During this work we must also take aim on the business and housing policy goals, and see that the necessary readjustments do not create unacceptable social and employment problems.

District political concerns will stand in the center of the formation of government policies. Through a differentiated use of resources the main direction of our housing policy can be assured.

Communication policies will emphasize contributions to effective and reasonable transportation opportunities in all parts of the country.



It is a goal of the government's housing policy that all will be able to procure a dwelling at a price they can handle. Housing construction must continue to be held at a high level.

#### Youth

The government emphasizes giving youths good opportunities for participation and responsibility in the community. In this work it is especially important to ensure good environment and satisfactory opportunities for education and jobs.

Agriculture will be placed on an equal footing with other groups.

In a situation which calls for strict assignment of priorities to tasks, one must look after the interests and condition of weak groups such as the handicapped and the elderly.

The family is the basic unit of our society. Strong forces in social development create increased pressure on the family. We want to build further to ensure that marriage is the form of living together which is best suited to create security and good conditions for growing up. This must point the direction for economic organization, legislation, etc.

Work for equality between the sexes must be further advanced. Working life and education must be directed at that. There must be a reevaluation of homemaking work. Spouses must have a real choice between homemaking and occupational work.

#### Simplification Continues

Work on simplification of legislation, rules and regulations is continuing, with a view to create more comprehensible conditions and greater freedom of action for individual persons, firms, municipalities and counties.

During the work on ensuring energy supplies, there will also be emphasis on energy economy and safeguarding of viable waterways.

A steady and moderate level of activity will be the guideline in oil policy.

The government emphasizes that conditions will be corrected so that Norwegian firms can get a high share of deliveries to oil activities.

There should be increased emphasis on giving Norwegian merchant shipping access to participation in the ongoing international process. Our maritime competitive ability should also be strengthened with a manning policy which utilizes the possibilities of reducing costs with efficient ships and highly qualified personnel.

Important tasks in the cultural policy are to protect the cultural heritage, support the creative arts and cultural life and stimulate cultural development over the entire country. Cultural offerings in communities and local areas will be emphasized.

#### Radio and TV

NRK [Norwegian National Broadcasting] will continue to be the central institution for broadcasting in Norway. The role of the district offices will be strengthened in the years to come. Reform work with a view to freedom of choice and variety in radio and TV will continue. The government will look positively on commitments from other than the state in near radio and development and use of cable TV. A new nationwide TV channel is being prepared.

The schools will contribute to advancing the central ideas in our society: the basic Christian values, tolerance and intellectual freedom. The schools will be helpful to parents in their tasks. The central goal of the school policy will be to give all students equal opportunity, to stimulate intellectual development and abilities and foundation and bring them up with human responsibility and solidarity.

The work on giving the Norwegian church greater freedom and greater reason for assigning their own priorities in economic questions is being advanced on the basis of the Storting's church/state report.

The work on curtailing alcohol and narcotics abuse continues to receive high priority.

#### Parties' Leaders Comment on Program

Oslo AFTENPOSTEN in Norwegian 9 Jun 83 p 3

[Article: "Labor Party Says Conservatives Dominate the Government"]

[Text] "We are confronted by a clearly Conservative-dominated government. Nothing indicates that we will have any changes in the policies which have been followed," said Labor Party leader Gro Harlem Brundtland in a commentary on the government's statement. Hanna Kvanmo (Socialist Left Party) said, "It is entirely clear that the Center Party and the Christian People's Party have given in to the Conservatives on the tax policy."

In comments on the government from the Labor Party, Liberal Party and Progressive Party, they all say that the government statement is vague.

The Labor Party's Gro Harlem Brundtland said, however, that the protocol which was presented in connection with discussions between the three coalition parties is more concrete than the government's statement. She said that the protocol gives a clear impression that it is the Conservative policies which will be advanced. The same is the case, said the Labor Party leader, of the three parties' positions on the revised national budget.

"The Conservative Party has given assurances of a drastic cutback of public expenditures. The formulation of the agreement means that the public budget must be cut by several billion kroner.

"The policy being prepared will create increased unemployment and hit investment in the district health and social sectors, municipality and county economies and housing construction," said Gro Harlem Brundtland.

Progressive Party's Carl I. Hagen said that the government statement indicates that problems with large spreads in viewpoints on practical policies appear to be swept under the rug and put off until the future.

"Most of the political goals and formulations could just as well have come from the Labor Party's Nordli Government of several years ago," was Carl I. Hagen's comment.

Hanna Kvanmo (Socialist Left Party) said that only on one point is it possible to find a trace of new government parties. According to the Socialist Left Party leader, that is the family tax and the strong emphasis on marriage as the model for family life, which Hanna Kvanmo says was put in by the Christian People's Party.

The Liberal Party parliamentary leader Hans Hammond Rossback hopes that the entry of the Christian People's and Center Parties into the government will contribute to a more middle policy. The Liberals are, however, concerned about the policy that the three government parties have agreed to on the revised national budget. According to Rossback the parties' positions on reduced employer fees and improved conditions in the health and social sectors are not good middle policies.

The chairman of the Christian People's Party, Minister of Church and Education Kjell Magne Bondevik, said in a speech yesterday evening that the Christian People's Party will put its stamp on the government so that its policies will be more middle oriented. "Time will show whether that is a success, but I believe it will be," said Bondevik.

## Paper Sees Willingness to Cooperate

Oslo AFTENPOSTEN in Norwegian 9 Jun 83 p 2

[Editorial: "The Government's Program"]

[Text] The main political lines which were the foundation for the work of the Conservative Government are still stronger in the statement which Prime Minister Kare Willoch presented yesterday to the Storting on behalf of the nonsocialist three-party government. In area after area the statement gives clear testimony that the coalition government has set ambitious goals for itself, as the Norwegian people expected it would do. But what is more important is: the political program is built on such a realistic recognition of problems and tasks that the government also has the best possibilities for success. The three coalition parties, Conservative, Christian People's and Center Parties, have delivered a good test piece which promises good things for future work.

Regardless of party membership the great majority of the voters will agree that in the current worrisome world situation it is of special importance to be able to confirm that the government's foreign, security and defense policies are firm and that the work of protecting the national interests will be given the highest priority. The active work on reduction of tensions, arms control and balanced disarmament will be expanded. We are convinced that a steady course in these vital questions is appropriate to counter the tendencies toward splits among the Norwegian people. It must serve as a reflection of the Labor Party's leadership responsibilities.

Neither in the domestic area should anyone be in doubt about the main goals of the government: to secure the foundation of the welfare state and employment both over the short and long term. The statement confirmed that the three coalition parties will take the consequences of the aforementioned problems and are determined to go to work more effectively to guarantee a more acceptable inflation rate. In the light of the development we are now seeing in a number of the countries that we will compete with in sales of goods and services, it is very important that in this field we take combined action to protect the firms and jobs. The government statement gives clear signals to this effect. There is also agreement on a more unified strategy for restoring the nation's economy.

Something which especially characterizes the three-party government's political program is the strong emphasis on lifestyle and values. This comes as an expression of the attitude toward the value basis in the schools, to the church's working conditions, and to the family as a basic unit in our society. This is--and must be--a central concern for every nonsocialist government.

## Coalition Seen as Victory for Kristiansen

Oslo AFTENPOSTEN in Norwegian 11 Jun 83 p 7

[Interview with Kare Kristiansen, Minister of Oil and Energy and parliamentary leader of the Christian People's Party by Thorleif Andreassen; date and place not specified]

[Text] Kare Kristiansen's cooperative line won. In that sense he is the three-party government's big winner. Regardless of the direction of the political winds, it was known where Kristiansen stood. On the barricades, most often as a solitary commanding general, he fought for his view: The Christian People's Party [KRF] has the most to win in a government position! Attacks from the rear from his own lines have been painful, but not fatal. Today the minister of oil and energy confirms that his line has won. "It is a very good feeling," says the satisfied minister, who would surely have been more satisfied as foreign minister.

[Text] [Question] Of course you have for some time aspired to be foreign minister?

[Answer] Yes, I believe that is an interesting department.

[Question] Which you expected to get?

[Answer] I was the chairman of the Storting Foreign Affairs Committee, and the party was quite prepared to get that department. We hoped, but KRF got the Ministry of Foreign Aid! That is very important. Ninety percent of the budget of the Ministry of Foreign Affairs goes to development budgets.

[Question] How do you feel about statements that your Middle East views disqualified you as foreign minister?

[Answer] I consider that untrue. I do not believe Sverre Strøm and I are far apart on our views on the realities in the Middle East conflict and the policy we should follow. I have expressed greater support for Israel than Strøm has done, but that it should disqualify me is meaningless.

[Question] Are you disappointed that it will be the Ministry of Oil and Energy that you will lead?

[Answer] No, absolutely not. KRF gives that department very high priority. Here one is in the thickest of politics.

[Question] But the Foreign Ministry means more status?

[Answer] That is correct, but in the Ministry of Oil and Energy much more practical policies are conducted. Think what the Ministry of Oil and Energy means for the total budget of our nation's economy. Think what it means for industry and business in the districts!

(We visited the newly appointed minister in his office at Tollbugaten 30, and saw that it was much more spacious than the cubbyhole that he occupied in the Storting. A broad smile over two hard rolls with cheese and a cup of coffee showed that he is very happy with the state of things.)

[Question] It is said that the KRF has little to be happy about after the government discussions. It is claimed that the party is smothered by the Conservatives.

[Answer] Laughable. We are certainly not consumed by the Conservatives--either with regard to ministerial posts or the policies that will be followed. Everyone can read in the government statement that it is a good cross section of the three parties' positions. The most important thing is that we are now in the government. We joined the political process from the start of things in the different departments also. And do not forget that superior national concerns demanded that a majority government be formed. It is therefore fortunate that this government was formed so quickly.

In the party flora on the nonsocialist side there are many good program formulations. But they mean little if they can not be carried out. Divisions on the nonsocialist side have acted to the advantage of the socialists. That has given the socialists greater opportunities to dominate than what should have been the results of the election.

(Kare Kristiansen is a pleasant person. On occasions he is funny. It would take a lot to disconcert the stately man with the thick white mane. That may be due to the fact that the 63-year-old has been chastened by his political voyage where the channel from time to time has had dangerous shoals for the party that he has led. That large parts of his crew turned out to be disloyal did not make it easy for the KRF captain to maneuver the party out to deeper water--away from the suspicious and destructive reefs which threatened to break the ship in two. But Kristiansen dared to stand fast. "The coalition line must be followed in order to get the party moving," he said. And so it was, finally. The parliamentary leader has not brought the party to its goal, but to the starting line.)

[Answer] The times that KRF has been in the government, we have sailed with fair winds, both with regard to voter support and influence. Among most of our voters a tangible optimism has spread. That has created new strength in the Christian People's Party.

[Question] You have received a large number of blows from your own party because you have said what you believe?

[Answer] It is a leader's duty to go against the stream when he considers it necessary. He must weigh the costs himself.

[Question] Has it cost you?

[Answer] I have perhaps been too undiplomatic. But it is my nature to say what I think. I can perhaps be strong in formalities. That has led to confrontations which I obviously could have avoided by speaking vaguely or avoiding giving expression to my beliefs. I believe it is my duty to say what I believe. But I will not conceal that it causes large strains to expose oneself to blows.

[Question] And your desire to cooperate has been placed in doubt. In certain quarters it is said that the only thing you are after is a ministerial post for yourself?

[Answer] Such statements are frustrating. One should be spared these untruths. When it comes right down to it, my appetite for a cabinet position is less than most others'.

[Question] And your vacation plans?

[Answer] I will visit my son in New York. He is a staff member on VG [VERDENS GANG] back there. During the hectic government negotiations I received the following message from a reporter who had been in contact with my son: "Don't mess around with your vacation plans. Your three grandchildren would never forgive you!"

[Question] Will the minister of oil and energy clip the wings of Statoil before he takes his summer vacation?

[Answer] Statoil's wings will not be clipped, but it will get fair treatment. We will, however, look closer at the administrative side of the activities of the company. I have great respect for Statoil's work, but I do not believe that the administrative tasks are advantageous to the company over the long term.

[Question] What about future opportunities for private companies in the oil adventure?

[Answer] I have been and still am a spokesman for expanded investment by the private sector in the North Sea and to the north.

[Question] Among many voters there is now the fear that your party in the government will function with lifted forefinger and point out all restrictions and prohibitions.

[Answer] In certain respects we are more restrictive than, for example, the Conservative Party. During the Borten Government, however, it seems to me that we managed the balance between different viewpoints quite well.

(Kare Kristiansen is no joykiller himself. His Christian belief is light, not judicial. During recent days flowers have poured in for the new minister. While we interviewed him a large bouquet of roses arrived from his own party. That pleased him. They are an acknowledgement that the coalition line has won. But when wandering further among the roses, one should step carefully to avoid the thorns. Kare Kristiansen knows that.)

#### Long Road to Coalition Described

Oslo AFTENPOSTEN in Norwegian 11 Jun 83 p 3

[Commentary by Egil Sundar: "Coalition Government--a Reality"]

[Text] Common sense won--finally. During a couple of hectic summer weeks the Conservative, Christian People's and Center Parties wrote political history by negotiating themselves into a nonsocialist coalition government with a majority behind it in the Storting, the first since the breakup of the Borten Government 12 years ago. What was perhaps considered the most unlikely has suddenly become a political reality.

When the formation of a government became a reality earlier this week, Prime Minister Kare Willoch explained that it marked the passage of an important milestone in the development of cooperative attitudes in Norwegian politics. In that he is undoubtedly correct. What the prime minister did not say, for understandable reasons, was that this development towards a nonsocialist three-party government was actively opposed by forces in both the Christian People's Party and the Center Party, right to the end. And even if the Conservatives the whole time have been on dry land and officially declared themselves a part of the broadest possible cooperation, it must be admitted that the party organization has neither fought at the barricades nor shown any particular enthusiasm for the issue. It went so well for the Conservatives that many for that reason found it inopportune for the party to take the initiative to expand the government. In the view of representatives the attitude was halfhearted and partly opposed to the idea of a three-party government.

That was probably the background for why the Conservative Party leaders came to the party congress in Hamar in April without wanting to do anything to bring the coalition question off dead center. But the facade was blameless, as always. The party chairman, Jo Benkow, confirmed his positive attitude toward cooperation, and about the government question Prime Minister Willoch said, "The Conservative Party is strong enough to form a one-party government, in cooperation with two other nonsocialist parties, into a strong and honest alternative. But we prefer a majority government."



The impression of passivity was corrected at the end of the congress when Jo Benkow in an urgent speech emphasized that the country needs a majority government--for dominant national reasons, he said. The party chairman repeated and strengthened that when in a subsequent press conference he was provoked to clarify his view on the government question.

As confirmed practical politicians, both Benkow and Willoch have naturally been entirely clear about the process which was finally begun, and which developed in accordance with the law of political necessity. The co-operative model which was constructed after the election victory in the fall of 1981, with a purely Conservative government in the minority position and with the two supporting parties floating around like satellites in an orbit which steadily became more difficult to control, must necessarily have a limited duration. The role of the government's supporting parties proved to give little political disbursement to the Christian People's Party and the Center Party. But not enough: their natural need for emphasis caused increasing wear on cooperation, something which could not continue without causing catastrophic results for the coalition. As a number of leading politicians and observers have pointed out during the past few days, the cooperative model from 1981 was really worn out.

The nonsocialist party leaders obviously saw that it really was only a matter of time before the Willoch Government had to expand to a majority government. This was necessary to ensure a stable parliamentary basis for a long term and unified policy, mostly in the economic area. However purely party tactical considerations came to mark the parties' attitudes to the government question. Both in the Conservative and the Christian People's Parties there was a broad understanding that the expansion of the government should happen later, preferably in the spring of 1985. The reasoning was that this would be sufficient to be able to present a combined nonsocialist government alternative before the Storting election shortly thereafter. That such a delay would have been an insult to the voters was obviously not mentioned. One must of course ask how trustworthy the nonsocialist coalition alternative would have sounded if they had set aside almost an entire Storting period without being able to show that the parties were able to cooperate constructively to solve the nation's problems.

Then came the Pentecostal message from the chairman of the Center Party, Johan J. Jakobsen, which put a good end to all party tactical discussions about the government question. In a speech in Valle in Setesdal Jakobsen spoke out for negotiations as soon as possible on the basis of government expansion--with reference to a generally difficult situation in the Storting. This action began a process which developed very rapidly on the strength of its own built-in dynamism. Before many really understood what was happening, a political situation was created which only had one possible outcome, namely the formation of a majority government with Conservatives, Christian People's Party and Center Party. In record time the three parties agreed on the political foundation of the government and the division of the

minister posts. This confirms--as AFTENPOSTEN previously reported--that the time for government expansion was really overripe. Among the non-socialist party leaders there is also general agreement that the coalition solution reached is the best for the country.

It should--and could--have finally come. Only a handful of votes separated the nonsocialist parties from election victory and a nonsocialist majority government in 1977. Four years later--at the last election--the Storting majority was assured with a clear margin, but the nonsocialist voters were cheated by the majority government which they had reason to count on in advance. Disagreement on the abortion issue created a decisive obstacle. Many, however, are of the opinion that this problem could also have been solved if the other party leaders had been coalition oriented--especially at that time when it was clear that developments in the Conservative Party were taking another direction than that which the coalition parties previously had stood together on. Subsequently some have asked themselves the hypothetical question of how coalition politician John Lyng would have handled such a situation. There is reason to believe that the abortion issue would not have been like a time bomb in the relationship between the three parties, who saw it as a dominant task to form a strong government alternative.

The road to today's majority government under the leadership of Kare Willoch has been long and difficult--yes, to begin with it was simply impassable. After the disintegration of the Borten Government and later referendum on Norway's relationship with the EC, political and psychological barriers were created which made the thought of a revival of nonsocialist cooperation something unmentionable. The bitter and irreconcilable conflict had left deep scars on the human level also--yes, it could actually happen that coalition brothers went out of their way to avoid meeting each other. If anyone at that time suggested that the Conservatives' Kare Willoch would, in the not too distant future, stand out as a leader figure on the non-socialist side, he would hardly have been believed. And it was several years before the controversial Willoch--as remarkably clever and gifted as he is--was fully accepted in the coalition.

The extraordinary political situation in the wake of the big shock of the 1970's made it largely necessary to look forward and begin to reflect about possible development lines on the nonsocialist side in Norwegian politics. This became reality when Trygve Bratteli--after a formidable election defeat for the Labor Party in 1973--created his own minority government, with the support of a group of 16 from the Socialist Election Association.

A group of those committed to coalition on the nonsocialist side started conversations about the possibility of creating a platform for renewed cooperation, with a view to being able to present a credible government alternative for the Storting election in 1977. It was typical of the situation at that time that the idea of formalized cooperation met very little

understanding in the nonsocialist parties. But a systematic and determined effort finally began to give results to the extent that influential voter groups both in the Conservative, Christian People's and Center Parties made the coalition their goal. They requested their respective parties to assemble forces and bring in coalition in a more permanent form.

While the party organizations stood waiting and partly unwilling, there came a cross-party organization called Action for Nonsocialist Unity to play an active role in the nonsocialist cooperative endeavors. The Action, which had several well-known names on its roster, used a number of influential channels to get its message across: that there must be a determined effort to build up a powerful alternative to socialist control. Efforts on a broad front were urged, there was a mobilization of all nonsocialist oriented people to bring the socialists into the minority in the Storting. And the starting point was the same as for the cooperative endeavors of the 1950's and 1960's, namely that no nonsocialist party was large enough to be able to determine or influence future politics alone. If the nonsocialist parties were to have real influence, and to have any chance whatever to influence developments in another direction than socialism, the parties must unite on the main issues that they agree on despite everything.

A political maturing was in progress. With a slowly working pressure from forces both inside and outside the parties, the nonsocialist alternative developed into a robust reality. Many thought that all talk of a nonsocialist coalition was an untimely bother--yes, individual leading party politicians actually said that right out. But it worked according to its purpose, because without the driving political force in the first place it would not have done any of the probing which the former chairman of the Center Party, Dagvinn Varvik, initiated. We would not--quite certainly--have had the nonsocialist statement of will on April 1976, and neither would it have been possible to make a nonsocialist unified position some months before the Storting election of 1977. The systematic work for influence which was started many years ago has continued to this day, and without doubt influenced the creation of the majority government which we now have.

In order to hold the nonsocialist coalition idea alive, some have--to a certain extent--had to put party interests aside to the advantage of the unified position which the interests of the nation demand. There has often been a need to tighten up the reins, to hold both parties and politicians by the ears. With closer consideration one will presumably agree that the development--and the results--show the necessity of taking cooperative ideas more seriously than one is inclined to do in the party offices and in certain newspaper editorials.

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CSO: 3639/128

## FELDT'S VOW TO PRESENT 'FUND' BILL ROUSES OPPOSITION

Split between Middle, SDP Widens

Stockholm SVENSKA DAGBLADET in Swedish 27 May 83 p 5

[Article by Claes-Goran Kjellander]

[Text] Politics is not easy to understand just now.

How can it happen, for example, that the payroll will be increased when all the parties except VPK (Left Party Communists) agree that the payroll tax should not be increased?

And where does the tax agreement stand? Has it fallen apart (again) or does it remain intact?

Without taking a position on who bears the ultimate responsibility for the increased payroll tax, we may assume that it gives politics a bad name when parliament makes a decision that is regretted by almost everyone.

This confirms once again that an important issue can develop outside the politicians' control when a minority government and the opposition parties are incapable of cooperating.

A Furious Ullsten

At the same time, every such failure reduces the chances of later agreements. When Finance Minister Kjell-Olof Feldt said that the middle parties were responsible for increase, there was a violent reaction within the Center Party and the Liberal Party leadership. It may be described in one brief sentence: Ola Ullsten was furious.

It is not an especially bold prediction to say that next week's economic debate in parliament will show that the gap between the Social Democrats and the middle parties is wider today than at any time during the 6 years of non-socialist governments.

On this background, it seems improbable that the government and the middle

parties could come to an agreement on taxes this fall.

### The Tax Situation

What is the background behind the tax issue?

The present tax situation is based on the agreement reached in April 1981 and the parliamentary resolution of May 1982. The tax law also was revised--over the objections of the middle parties--in November 1982.

The agreement means lower marginal taxes and reduced deductions for losses. At the so-called break-point (at 30 kronor in municipal taxes) marginal taxes will be reduced next year from 66 to 58 percent and to 50 percent in 1985. The value of deductions for losses will decrease correspondingly. This is based on an annual inflation rate of 5.5 percent.

The three parties also agreed to add to the national treasury the same amount lost as a result reduced income taxes by increasing payroll taxes or the production tax.

### Questions

The tax picture also includes the facts that LO (Swedish Federation of Trade Unions) now questions the fairness of the tax reductions, the Conservative Party claims that, for several reasons, there actually will be a tax increase, and VPK rejects the entire tax agreement except for the portion that deals with limiting deductions.

Finally, the three parties assumed that the labor organizations--including PTK (The Negotiating Cartel for Salaried Employees in the Private Business Sector), which has not yet signed a contract for 1983--will forgo wage increases for those who stand to gain the most from the new tax agreement.

Now several of these external conditions have changed. Inflation is higher than predicted. The parties do not wish to increase payroll taxes in 1984. The middle parties want to use cutbacks instead of increased revenues to cover a share of the costs.

In addition, the upcoming contract of the salaried employees cartel is a question mark.

### Blame Feldt

The political conditions also have changed. Even those in the middle parties who are prepared to defend every word in the original agreement with the Social Democrats admit today that their parties have paid an unusually high price for the tax compromise. The Conservative Party has reaped all the benefits. But the middle parties put most of the blame on the Social Democrats, especially on Kjell-Olof Feldt, personally.

It was Feldt who said just after the "miraculous night" that "the middle parties gave in on all points" and it was Feldt who reached agreements last fall with LO instead of with the middle parties.

And it also is Feldt who now is blaming the middle parties for the increased payroll taxes.

Conclusion: We need a nice, long, quiet summer and a tremendous amount of good will if the government and the middle parties are to reach agreement on taxes this fall.

#### Bill to Riksdag in Fall

Stockholm DAGENS NYHETER in Swedish 31 May 83 p 6

[Article by Magdalena Ribbing]

[Text] Within several months parliament will receive a wage-earner fund proposal from the government. Kjell-Olof Feldt made this promise on Monday in parliament in answer to Conservative Party leader Ulf Adelsohn's question concerning plans for the funds. Ulf Adelsohn opened the 1985 election campaign by making the campaign promise that a vote for the Conservative Party would be a vote to eliminate the wage-earner funds.

The government's wage-earner fund proposal is being handled according to the procedure adopted by the Social Democratic Congress, Kjell-Olof Feldt said in his answer. The proposal of the so-called profit-sharing group now is being circulated among Social Democratic groups for comment. This summer the so-called investment group, which is examining the investment policy of the funds and possible returns on these investments, will be finished with its work.

Within a month or so a report will be presented on the technical details of the funds.

Since Ulf Adelsohn's question to the finance minister dealt with the timetable of the funds and Kjell-Olof Feldt answered with precise information, Ulf Adelsohn said that this was the most honest answer to an interpellation (an important question to a cabinet minister) he ever had received, with an unambiguous response:

"So in January 1984 the funds may be in existence, even though a minority of officials and party tacticians want them."

#### Will To Work

Profit-sharing, in the true meaning of the word, whereby the company and the employees agree on personal profits for the employees, would promote the will to work, according to Ulf Adelsohn. But this is not what the Social Democrats

have in mind. Instead, the net result would be losses at both ends--the weak companies would go under and the strong companies would be hindered, according to the Conservative Party leader.

"Only one argument makes the funds logical--socialism. The problem is simple. The funds are incompatible with the market economy. We will not put down our weapons. This battle is more important than all others. I promise that a vote for our party in 1985 will be a vote to eliminate the funds."

That was not a very good promise, according to Kjell-Olof Feldt, who issued a warning to the Conservative Party:

"You on the right also conducted this type of campaign against the fourth National Pension Insurance Fund. But what happened? The economy minister at that time, Gosta Bohman, proposed an additional 800 million for this fund in order to develop it. It was needed for the sake of business. A bit of caution and humility is needed."

#### Long Speeches

Since this was a debate over an important issue, representatives other than the questioner were allowed to participate. Thus, both the Liberal Party leader Ola Ullsten and the vice-chairman of the Center Party Karin Soder (Thorbjorn Falldin has the flu) presented long, written speeches. Karin Soder said it was remarkable how reality corrected the Social Democrats. According to her, reality was their worst enemy.

"Ten years ago the argument for the funds was that they would capture excess profits. Now the finance minister says that the fund monies will go to viable companies--but will the money come out of wages or not?"

"The wage-earner funds differ from all other reforms in that they are a step toward socialism and this frightens the Center Party," Karin Soder said. The Center Party is working for widespread corporate ownership:

"Even if the funds are introduced, we will work toward abolishing them. The wage-earner funds are gaining momentum, but we do not know in which direction they are moving or if they will arrive at their destination. The Social Democrats will collect more and more money, but they must not expect the Center Party to help them," Karin Soder said.

#### Necessary Part

Liberal Party leader Ola Ullsten said that the wage-earner fund debate began at the end--the Social Democrats decided on a method, but did not know how the funds would be used or what they would look like. The representation of the funds as a democratic reform on a par with the introduction of universal suffrage is a misunderstanding of what we mean by democracy," Ola Ullsten said.

"The wage-earner funds are an alternative to the market economy. But the market economy is a necessary part of our political democracy."

"The wage-earner funds would not give us more democracy and less concentration of economic power. They would give use less democracy and more power concentration," the Liberal Party leader said. He promised that his party wanted the unions to remain strong representatives of the employees.

By contributing their work, employees have earned their right to have influence. You do not need to be a capitalist to speak up about your job, according to Ullsten.

Ola Ullsten presented a 10-point proposal for a better functioning market economy.

Kjell-Olof Feldt said that this was a remarkable parade of party leaders and vice-chairmen who wanted to show that they were ready to cast the first stone.

"They want to make the old monster walk again--the monster that is going to swallow up the economy, business, freedom, and democracy."

Ola Ullsten said it was clear that the Social Democrats wanted to keep this monster in the dark.

But this was not the case at all, according to Kjell-Olof Feldt:

"We want to bring this monster out into the open--the monster that was created by the nonsocialist campaigns. We know that when it comes out into the open it will evaporate."

In the midst of this discussion of monsters, however, the fund debate was put in an ideological light. This contribution was made by VPK member Jorn Svensson,

Unsolved

"The nonsocialiste fail to understand that institutionalized capital accumulation is part of advanced and highly developed capitalism in welfare states with social insurance systems. You are criticizing the consequences of your own system. Why do you not want controlled wage negotiations and unions that have their hands tied? After all, these funds will not be free and independent. The questions that are being dealt with by the more radical elements of the Social Democrats remain unsolved."

Wage-earner funds in themselves do not lead to socialism, according to Jorn Svensson, but various forms could either strengthen or weaken the power of the workers.

So far the Social Democratic proposals have been more of the stabilizing variety



than the type that would change society. The nonsocialists simply want to put a false label on the wage-earner funds and frighten the bourgeoisie."

But Jorn Svensson said he would be interested in a system in which the unions maintained their independence. He said he would gladly speak with Ola Ullsten about that some other time.

#### Paper Sees As SDP Act of 'Martyrdom'

Stockholm DAGENS NYHETER in Swedish 31 May 83 p 2

[Editorial]

[Text] For 8 years the wage-earner funds have been the central issue dividing the political blocs, but so far the Social Democrats have chosen not to face the opposition in a major debate over collective funds. They have wanted to "keep the monster in the dark," as Ola Ullsten said in Monday's interpellation debate.

The opposition was prepared for a major battle over the fund issue, but Feldt would only discuss the timetable. He confirmed that the government intended to propose a fund system according to the resolutions of the Social Democratic Congress and stated that within a month or so the Finance Ministry would present the technical and organizational details of the system. "This is one of the clearest and most unequivocal answers I ever have received," Adelson said.

Feldt said that Ullsten had no reason to accuse the Social Democrats of not wanting to debate the funds. Hardly any other issue has been debated so much. It has been the subject of expensive campaigns and has been debated in several election campaigns, Feldt pointed out. But the debate has been conducted on the opponents' conditions. They are the ones with the money and their campaigns have guided the debate! "We were prevented from making a concrete proposal. Our preparations came to an abrupt halt."

"Lies have been told about us," Feldt added. "More on this issue than on any other."

This martyrdom is a complete fiction. Their halo is an illusion. When the nonsocialist governments were in power, the Social Democrats had more state resources at their disposal to conduct studies than any other opposition party ever has had. Three Social Democrats in a row sat as chairmen of the wage-earner fund. There have been campaigns both for and against the funds, but a great number of qualified debaters, including several Social Democrats, have offered devastating criticism of the funds. For the most part, this criticism has been left unchallenged.

It is wrong to say that lies have been told about you when you actually are being haunted by the truth.

There is a majority neither among the people nor among wage earners for a collectivization of ownership in business by means of funds. Nevertheless, the funds will be pushed through parliament. The Social Democratic Party Congress decided that this is how it would be.

#### Falldin Pledges to Reject Proposal

Stockholm DAGENS NYHETER in Swedish 1 Jun 83 p 6

[Article by Sven Svensson]

[Text] Considering the present Social Democratic policies, organized cooperation between the Center Party and the Social Democrats before the 1985 election will be impossible. This was stated by Center Party leader Thorbjorn Falldin in an interview with DAGENS NYHETER.

If the Social Democrats establish the wage-earner funds, our top priority must be to gain a nonsocialist majority in parliament as soon as possible, in order to correct this erroneous decision, Falldin said.

This year in parliament has been characterized by Olof Palme's "outstretched hand" for cooperation, while the battle lines have been drawn over the 3-year tax compromise and the Social Democratic wage-earner funds.

How does Center Party leader Falldin view the chances for cooperation?

"Palme's words advocating cooperation are contradicted by his actions," Falldin said.

"Take the tax compromise as an example. I do not know how many times during the election campaign the Social Democrats asked if the Center Party and the Liberal Party continued to support the tax compromise. The answer was an unequivocal 'yes' from the middle parties."

Willful

What happened?

The Social Democrats hardly had taken power before they decided that an adjustment had to be made in the tax agreement.

"This obviously was needed after the major devaluation undertaken by the Social Democrats," Falldin said.

In actuality, however, the Social Democrats negotiated not with the middle parties, but with outside forces and then willfully amended the tax compromise for 1983 with the help of VPK.

Concerning the financing of the 1984 tax agreement, the government announced

privately that it intended to use energy taxes instead of payroll or production taxes.

#### Bad Mood

"We though that was a better solution," Falldin said. "But in the proposal the government wanted to raise fees beginning on 1 July this year, instead of 1 January 1984 when the need for additional financing will arise."

When the Social Democrats failed with their proposed tax increases, they fell into a bad mood and postponed the decision until fall. For the spring, all indications are that they will adopt the plan of the VPK and increase payroll taxes on 1 July.

"If we take taxes as an example, there is no indication that the Social Democrats are serious about cooperation," Falldin said.

When the tax agreement was made, Feldt said that the middle parties had given in to the Social Democrats on every point. Now Feldt says that it is the fault of the middle parties that payroll taxes will be increased on 1 July.

"This is yet another example of how the Social Democrats act and how little the proposed cooperation means to them," Falldin said.

#### Will Pay

Will it be easier to agree on how to finance the tax agreement this fall, now that the issue has been postponed?

"I do not see that the situation will be any different this fall," Falldin said. "We are prepared to pay the price of the tax agreement for 1984. The Center Party accepts higher oil taxes and an extra tax on coal, since it is important to treat imported energy sources the same."

We are against the proposed increase in gasoline taxes, however. So far, there is no good alternative to imported gasoline. This is why we are against increasing gasoline taxes."

"The Social Democrats' concept of our future economic policy is almost incomprehensible. They speak of the first, second, and third stage, but the fact remains that Sweden must do something about its fundamental problems of economic imbalance. One fundamental problem is the large deficit in the national budget."

#### Open Battle

By now, everyone must understand that it is impossible simply to increase taxes as the Social Democrats did during their first month back in power. Despite large tax increases, the budget deficit rose by 15 billion.

"No government, regardless of what parties it includes, can raise taxes year after year. There is only one possible conclusion. Something must be done on the expenditure side. On this issue, there is practically an open battle within the Social Democratic Party concerning how this problem should be attacked," Falldin said.

On the issue of wage-earner funds, there is a clear line between the socialist and the nonsocialist parties, according to Falldin. The Social Democrats want to replace gradually the socially and environmentally controlled market economy with a more planned economy.

"I have read Kjell-Olof Feldt's answer concerning the wage-earner funds," Falldin continued. "It was extremely straightforward. He said exactly how it was to be."

"What is left to negotiate?" Falldin asked.

Will Announce

"We cannot negotiate over details in a proposal we are against," he said.

According to the timetable, there will be brief discussions within the Social Democratic Party and a proposal will be made this fall.

In reality, the "negotiations" will mean announcing to the opposition and to business what the Social Democrats intend to present to parliament.

"Deep down, of course, the Social Democrats understand that since we oppose the principle of wage-earner funds, we cannot sit down and negotiate the details of such a plan," Falldin said.

Defiant

Is future organized cooperation between the Center Party and the Social Democrats conceivable?

"Considering this defiant presentation of important political issues, neither the Center Party nor the Social Democrats will be able to stand up and say:

'Now we will forget about all this and start over.' This is totally inconceivable," Falldin said.

"If the Social Democrats establish the wage-earner funds with the active or passive support of the VPK, our efforts must be toward establishing a new nonsocialist majority in parliament so that this erroneous decision may be corrected. The present policies of the Social Democrats have eliminated the possibility of organized cooperation for the 1985 elections."

## Ullsten Also Cool Toward Scheme

Stockholm DAGENS NYHETER in Swedish 1 Jun 83 p 6

[Article by Ake Ekdahl]

[Text] "We will discuss wage-earner funds and taxes with the government, but only out of courtesy. I do not believe that the negotiations will lead to any results. The Liberal Party cannot help the Social Democrats establish their funds or establish taxes on their terms."

This was stated by Liberal Party chairman Ola Ullsten. He said that the Social Democrats had lost their opportunity to create broad political cooperation to solve the country's difficult economic problems. The Social Democrats are tied to their campaign promises, are unable to resist pressure groups within their own ranks, and are in the hands of a powerful LO, according to Ullsten.

"No government in modern times has had such an opportunity to reach consensus agreements in parliament concerning the nation's economy. We have an opposition that has assumed the thankless and perhaps unpopular task of conducting responsible economic policies, while the government is attempting to outbid the opposition."

"The Liberal Party set the stage for the government and has proposed cutbacks of 10 billion kronor in state expenditures. All Palme needed to do was take over where we left off, but he refused to."

### Lost Years

Ullsten also said that when the nonsocialists took control in Sweden, the country lost several important years because the three-party coalition government was afraid to make the economic changes that were demanded by reality. Today we are facing the same need for new solutions, but the new government is losing more years because the Social Democrats do not have the courage to come to terms with the opposition within their own party.

Palme's talk about "outstretched hands" to the opposition and to business failed to impress Ullsten.

"We stretched out our hand on the tax issue and showed our willingness to cooperate, but as soon as the Social Democrats returned to power, they tore up the agreement by conducting inflationary policies and by making the reform 2 billion kronor more expensive. Now they want to bring in more money or cut back on the planned tax reductions."

"Now that we have refused to go along with this, Feldt is going around complaining because the Liberal Party will not pay the Social Democrats' debts."

## Undermined

Another sign that Palme is not serious with his outstretched hand is that the Social Democrats are gearing up to establish their wage-earner funds, according to Ullsten.

"The Social Democrats continue to push the funds, despite massive and scathing criticism from all sides, including their own ranks. The funds are a 'solution looking for a problem.' All the reasons stated by the Social Democrats to justify the funds can be solved in other ways. This is true of capital accumulation, employee influence, wage policy, and power-sharing. The funds would not spread the economic power, but concentrate it. It is interesting to see that the Social Democrats now have come into conflict with VPK on the fund issue," Ullsten said.

Ullsten sees a pattern in the government's fund, finance, and taxation policies that is undermining cooperation between the parties.

"The hands of the Social Democrats are tied by their promises and obligations to various groups. They must stick to their own party line and demand cooperation on their own terms. They want us to help solve the problem they have created themselves," the Liberal Party leader said.

"We have no reason to compromise in order to establish bad policies."

## Results

Ullsten believes that the motivating force behind the Social Democrats is their need to demonstrate the results of their policies at next year's party and LO congresses. This is why they are in such a hurry to establish the funds this fall. Palme also hopes to defuse the fund issue before the next election.

In the so-called Bildt Affair, Ullsten and Palme recently joined forces to condemn Bildt's contacts with the United States military concerning the submarine chase. But this did not prevent Ullsten from criticizing the government's foreign policy.

"The Social Democratic government has created problems for itself in the area of foreign policy because of the Bahr Affair and its strange doctrines concerning Sweden's relations with foreign powers. My advice as a former foreign minister would be to rely more on the Foreign Ministry and its 2,000 skilled employees," Ullsten said.

Concerning Carl Bildt's trip, Ullsten repeated that it was important to use good judgment while representing Sweden abroad in a situation that is sensitive to national security. "On the other hand, I have said nothing about the government's reaction to the controversial trip," he said.

"I am not retreating from my previous statements, but I still believe Bildt

should have been more cautious, especially considering his position in the government's submarine commission," Ullsten said.

#### Minister Still Hopes for Cooperation

Stockholm DAGENS NYHETER in Swedish 2 Jun 83 p 8

[Article by Magdalena Ribbing]

[Text] "I can understand that the opposition believes our approach is a bit brutal, but we have had to move extremely fast from the very beginning." Acting prime minister Ingvar Carlsson told this to DAGENS NYHETER after the middle party leaders closed the door to close cooperation with the government yesterday. "The government is looking everywhere to form majorities. In the long run, this will be impossible," VPK chairman Lars Werner said.

"We will use the summer vacation to consider possibilities for cooperation," acting prime minister Ingvar Carlsson told DAGENS NYHETER, when asked about the future of the "outstretched hand." The Social Democrats always have believed in cooperation with a left-leaning nonsocialist party, according to Ingvar Carlsson, who hopes the Center Party will come around eventually. First, however, the middle parties must battle the Conservatives.

What does the government's outstretched hand mean? Does it have something to offer the opposition?

Ingvar Carlsson said that the Social Democrats' will to cooperate is genuine, as it always has been:

"It is an outstretched hand to several groups. We have an extremely positive and constructive rapport with business."

Here Ingvar Carlsson is referring not only to the recent Harpsund meeting with prominent representatives of business, but also to direct contacts with various companies.

The Social Democrats also are cooperating with researchers, according to Ingvar Carlsson, and the response has been both positive and important.

#### Closed Door

Now, of course, the Center Party and the Liberal Party have closed the door to closer cooperation with the Social Democrats before the 1985 elections, as indicated in interviews with Thorbjorn Falldin and Ola Ullsten in Wednesday's DAGENS NYHETER. Ingvar Carlsson is concerned about this, although he does not consider the door to be irrevocably closed through 1985.

"Actually, the great majority of our government's proposals have passed with a

large majority of the votes. The political blocs are not as important as before and we are able to reach compromises in committee (the 16 parliamentary committees with representatives from all parties prepare the proposals before the members vote on them).

This has been impossible in the area of taxes, Ingvar Carlsson himself admitted.

What are the Social Democrats doing about this? Is there anything they can offer the opposition in order to establish cooperation?

"When the Social Democratic government agreed to reduce payroll taxes, we believed that would be seen as a constructive proposal. It was seen as such by business. Replacing payroll taxes with energy taxes was a good idea. Ordinarily, the nonsocialists would have seen this as a positive step, while it is not easy to us to tell home owners, automobile owners, and small businessmen that we are increasing the gasoline tax to reduce unemployment."

But that did not work out completely. Can the Social Democrats point to any other examples of their expressed will to cooperate? "The submarine affair," Ingvar Carlsson suggested. "There the nonsocialists demanded that increased appropriations for submarine defenses should not be taken from the overall military budget. The government agreed to meet this demand."

#### Battle Against Conservatives

Ingvar Carlsson believes that the strategy of the middle parties has been to take votes from the right by being soft on the Conservatives and forming a common front against the Social Democrats.

"It is extremely painful after an election defeat. We experienced this in 1976 and the middle parties must be given time for their wounds to heal. Sooner or later, however, the middle parties must draw a line between themselves and the right. When that battle is over, perhaps we can establish close cooperation which will be of great importance to the country."

There are ideological reasons why the Center Party must win a battle against the Conservatives, according to Ingvar Carlsson. His own guess is that the Center Party will take a prominent position in what he believes to be absolutely necessary--a confrontation with the Conservatives. The Liberal Party, which is fighting to gain the 4 percent required for representation in parliament, cannot be expected to play a leading role.

But the middle parties are unwilling to take the outstretched hand, so far. Ingvar Carlsson said that the Liberal Party and the Center Party had refused the government's invitation to discuss the energy tax issue. The Center Party and the Liberal Party preferred to discuss this matter in committee.

"If the opposition believes our approach has been somewhat brutal, I can



perhaps understand them," he added. "We have had to move at a tremendous pace from the very beginning. We wanted to take immediate steps against the economic crisis. There was a suppressed need for resolute measures, but we also wish we could have had more time to consider the possibilities."

What are Ingvar Carlsson's dreams for the future in parliament and in the government office building? A Social Democratic government with an absolute majority, of course, but there are other things to hope for, as well.

"We always have believed that we could work together with a left-leaning nonsocialist party. This is becoming more important than ever before. There actually are 33 million unemployed in the Western OECD (Organization for Economic Cooperation and Development) countries. I believe the democracies must overcome this problem. If they cannot, the very credibility of democracy will be questioned. Strong support for policies that promote what is best for the country and a majority in parliament that supports a resolute and consistent policy of neutrality--these are things I hope the Center Party will consider over the summer, until we meet again next fall."

Tougher

The government also will use the summer to consider the policy of cooperation and the wage-earner funds, according to Ingvar Carlsson.

"We have stated our principles and said that, based on them, we are willing to discuss the issue with various parties involved. Our study groups are keeping to their timetables, but we understand that it will be tougher now than when Carl Tham of the Liberal Party and Nils Asling of the Center Party offered their cooperation. Now the middle parties have moved far, far to the right."

#### VPK's Werner Presents Conditions for Support

Stockholm DAGENS NYHETER in Swedish 2 Jun 83 p 8

[Article by Anita Sjoblom]

[Text] "In the long run, the Social Democrats cannot seek support from the various parties on different issues. The government should use the workers' majority in parliament for long-term discussions." This was stated by VPK chairman Lars Werner, who does not know whether or not his party can support the Social Democrats' wage-earner funds.

The Left Party Communists has joined forces with the government on certain matters, while the government has sought support from the middle parties on others.

"We know that the Social Democrats do not hold an absolute majority and are forced to seek support elsewhere," Lars Werner said. "As a result, they have

run a slalom course between VPK and the middle parties. The government cannot continue to jump back and forth seeking majorities if it wants to conduct progressive labor policies."

Lars Werner makes no demands for cooperation from the government. He will not even say that he wants to cooperate with the government or that such cooperation is possible.

"But there are a number of issues in which the government should make use of the labor majority in parliament as a basis for discussions. By seeking majorities in various places, the government has failed to achieve a long-term strategy."

"I would not rule out the possibility of cooperation, if there are issues that would benefit our voters," Lars Werner said. "But the ball is in the government's court."

He does not know whether or not VPK will support the government's fund proposal.

"We do not know what the proposal will look like. VPK wants funds that are part of a strategy for changing our society in the direction of socialism. When the wage-earner funds first were discussed, the issue was power and ownership. Now the Social Democrats are shying away from the original goal and are talking about a supply of capital for industry."

Some questions that VPK could conceivably discuss with the government are long-term plans to combat unemployment and the budget deficit, as well as housing policy and the right to a job. A Swedish disarmament plan also could be discussed.

"We are now studying a new food policy, including the removal of sales tax from groceries. We would like to tear up the present tax reform in favor of a tax on production and a tax structure that would favor low and medium income earners. The present tax reform cheated low wage earners, since they never received compensation in the contract negotiations."

"We have attempted to point the way by making proposals, but we do not hold a monopoly on good proposals. For this reason, we will wait and see what proposals the government makes and which of them we can support," Lars Werner said.

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CSO: 3650/204

## TERCUMAN INTERVIEW WITH PRIME MINISTER ULUSU

Istanbul TERCUMAN in Turkish 2 Jun 83 pp 1,14

[Report by Ceyhan Altinyelek]

[Text] Ankara--Prime Minister Bulend Ulusu said: "Our laws seem to be virtually encouraging the employment of fewer workers. The legal arrangements that are being made have their focus on minimizing the factors that restrict employment and that impede investments."

Prime Minister Ulusu said that new arrangements are being made to help guest workers returning home for good to start their own businesses and to buy their own homes and that it is being contemplated to give priority to workers planning to return home for good in buying homes with foreign currency.

Responding to the questions of the TERCUMAN correspondent, Prime Minister Ulusu stated that the issue of employment for workers returning home for good must be studied in conjunction with the issues of creating jobs across the country and fighting unemployment. Ulusu said that extensive vocational training programs designed for young people are in the process of development to alleviate the social problems and economic losses caused by unemployment, which is particularly widespread among young people.

#### New Arrangements

Noting that no conclusive results have yet been obtained from the work that is in progress in connection with part-time work and more work shifts, the Prime Minister said that the government wants to bring renewed vitality into the public sector in order to create new job opportunities by spurring export-oriented production and by utilizing the idle capacity in the industrial sector.

Prime Minister Ulusu continued:

"Efforts are being made to insure that the process of Turkish workers returning home for good from West European countries is a gradual one. Every effort must be made to utilize the manpower as well as technology transfer possibilities that will result from the return of our workers who worked for many years in the countries they lived in and most of whom became highly qualified personnel.

"New arrangements are being made to help Turkish citizens returning home for good to start their own businesses and to buy homes. It is being contemplated to give priority to these citizens in the utilization of idle industrial capacity and in the purchase of homes with foreign currency.

"The Labor and Employment Organization and the State Industry and Worker Investment Bank will complete their work soon to distribute these workers' savings among the sectors in a manner envisioned to be most productive by the development strategy."

Uluslu said that the selection of annual programs on employment, technology and incentive policies, the distribution of investments over the country and production targets for various sectors will be evaluated from a perspective of higher employment. The Prime Minister added that the problem of unemployment during the 5th Five-year Plan period will be solved through the joint efforts of employers, workers and the government.

Exemption Fee not to be Reduced

Asked if "any thought is being given to reducing the fee workers employed abroad are paying to complete their military service in a shorter time", Uluslu said: "For the moment nothing like that is being contemplated."

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CSO: 3554/316

## GOZE TRUMPETS COMMUNISM AS GREATEST THREAT TO TURKEY

Istanbul TERCUMAN in Turkish 2 Jun 83 p 11

["Street Corner" column by Ergun Goze: "Greatest Threat: Communism"]

[Text] Communism has always been and still is the greatest threat for Turkey. Turkey's historical legacy and geopolitical and geostrategic situation makes this fact more than a certainty.

This is an issue of "to be or not to be" for Turkey.

Is it not true that the red anarchy that was raging before 12 September has once again started to stir and recover after 12 September? Are we not hearing about the unearthing of new "organizations" or the capture of red members of former "organizations"? Here is a news item from a newspaper I have in front of me: "46 TIKB [expansion unknown] members have been captured. They killed three security officials in Sefakoy." There is merit in recalling that these people killed the three security officials after 12 September, not before. And these criminals came all the way from Germany to revive this murderous gang.

Meanwhile, inside Turkey, there are numerous "eternally condemned" individuals who do not "condemn" such organizations, who reserve all their "condemnations" for "anticommunists", who try to uncover the faults and the sins of anticommunists and patriots with a magnifying glass in their hands and who turn to binoculars and telescopes when they cannot find anything with their magnifying glasses. There are many stubborn and determined writers and cartoonists who have lost hope of ever returning to reality. These individuals have dedicated their efforts to tipping the scales in favor of the Soviet Union in this region of ours which is beset by the rivalry between the United States and the Soviet Union. The patriots, meanwhile, are trying to offset our neighbor, which is the "closer threat", with the United States and NATO.

In other words, this internal threat is supported from the outside.

If it were not supported from the outside, who within Turkey's borders would dare to speak for a system which runs so much against the soul, historical development and national character of the Turk?

These individuals ultimately rely on the Red Army. They hope that they will first be invited to the Soviet Union, that their books will be sold there and that they will make money and finally they rely on the Red Army. Not surprisingly, Nazim Hikmet, whom they admire so much, did exactly that.

Have these individuals not been so insolent as to describe the Soviet army occupying Afghanistan as "liberators" and the Afghans who are fighting for their homeland, faith and national existence as "American puppets"?

The occupation of Afghanistan by the Soviet army weighs heavy on the consciences of many honest Russians. Not surprisingly, Vladimir Danchev, a Radio Moscow announcer, said three times in a row in the same broadcast that "Afghan fighters are waging a heroic struggle against the aggressive Russians." The Soviet reaction against this announcer was first to put him in a hospital "to determine whether he is mentally sound" and then to send him to his birthplace, Tashkent. We must ask for the examination of the mental state of those who have lauded the Red Army and who have hailed the occupation of Afghanistan as a revolution. Because it is clear that by betraying realities they are trampling upon the interests of the fatherland.

The first task before us is the prevention of the internal communist threat which is supported from the outside. To that end, the first thing that must be done is to insure national unity and integrity; to end or to minimize political infighting; to observe the rules of the game; and to repair and reinforce national unity and integrity at the points that have been damaged by communist propaganda.

Furthermore, we must make the best effort possible to reduce the burden and pressure of making a living on the low-income groups in particular; we must save the nation from being divided into workers and nonworkers; we must teach all the children of this nation that the greatest honor is in belonging to the Turkish nation and not in belonging to one or another class; and we must remind them after understanding this fact that there are conditions to deserve that honor.

To unite the Turkish nation against internal and external communism like a single fist: That is the whole issue.

9588  
CSO: 3554/316

## NATIONALIST DEMOCRACY PARTY PROGRAM GIVEN

Istanbul CUMHURIYET in Turkish 16 May 83 p 7

/Text/ Yesterday the Nationalist Democracy Party led by Turgut Sunalp announced its 64-point platform, emphasizing that it is "not a party of classes or ideologies, but a party of the masses."

According to the platform, the party uses the nationalism and democracy of Ataturk as its starting point and the Constitution as its basis. Its systems are governed by the philosophy of 12 September, and its goal is to rise to the level of contemporary civilization within this framework. The party "believes in the spirit and philosophy of 12 September and will conduct its political activity accordingly."

The platform emphasizes that every Turkish citizen who respects the state is a nationalist. It goes on to say that priority will be given to the establishment of State Security Courts, that efforts will be made to strengthen Turkey's position in NATO, that foreign investments will be encouraged, and that the state will lead the way in those areas where free enterprise falls short. Again according to the platform, democracy will be reinforced through the activities of unions that have no foreign affiliations and are not engaged in anti-government activities. Also, efforts will be made to seek ways to keep strikes and lockouts from being used to destroy national wealth.

Platform of the Nationalist Democracy Party

Article 1 announces the party's goal as follows:

"The Nationalist Democracy Party is a political party that believes that our political life, based on a Republican regime and democratic principles, needs direction and parties that respect one another. Ours is a party oriented toward getting the Turkish people to rise to our point of view, and toward being able to provide them with the best service possible."

Article 2 entitled "basic principles" reads as follows:

"Our party believes in the historical consciousness and great culture of the Turkish people. It believes in Ataturk's nationalism, his sense of reform and his principles. It believes in the goal of keeping up with contemporary civilization and democracy. It believes in the Constitution, which came to reflect the will of the people through a vote of 91.5 percent. It believes in the spirit and philosophy of 12 September, which kept the Turkish nation from breaking apart and the Turkish people from being divided. Our party will conduct its political activities with these things in mind.

"Turkish nationalism is geared toward unity, not separatism. It is a cultural nationalism uniting all citizens. Turkish nationalism respects national history and meaningful values. It opposes communism and all other regimes and philosophies that limit the free will of the people."

Below are the party's views on various issues as contained in the platform:

#### Secularism

- We define "secularism" as it is defined in our constitution. We are not talking about religious opposition, disrespect for religion, or atheism.
- Our goal is to protect basic rights and freedoms within the framework of the constitution and to rectify the unjust practices and narrow-mindedness of the recent past.
- We are determined to do everything possible to defend the democratic regime, the supremacy of the law, the right to property and inheritance, the family concept and any historical, national and meaningful values--all of which have a place in the constitution. We are equally resolved to stand up and fight against anyone or anything that violates these principles or attempts to undermine them directly or indirectly.

#### Free Enterprise

- We believe that the state should concentrate upon those areas lying outside the realm of free enterprise and should assume certain responsibilities in this regard.
- Rather than being dogmatic about ideas, ideologies or plans for progress, the state must offer direction and encouragement.
- Our party is a party of the masses, a party emphasizing progress--whether it be national, nationalist, democratic, Ataturkic, civilizational, patriotic, economic, social or cultural. Our party is open to anyone who holds this same belief and ideal.



## Inter-Party Relations

- We believe that party power and party opposition together constitute the basis of democracy. We feel that there is no such thing as destructive opposition in true democracies. It is only normal for every party to claim that its views are better and its platform more sound than the next party's.
- We also believe that destructive opposition which brings power and even the government itself to a standstill does not exist in true democracies.

## State Security Courts

- We will not allow the incidents of violence that have often taken our armed forces away from their main duties and disrupted their basic activities. If such incidents do occur, effective measures will be taken immediately to stop them. In conjunction with this, priority will be given to setting up State Security Courts as called for in the Constitution.
- A country's native language is the basis of its culture. One of our main goals is to get our schools to use the principles used in western nations for teaching the mother tongue. Ataturk's directives will be followed as we enrichen the Turkish language and research Turkish history.

## The Press and Other Media

- We consider freedom of the press and other media to be a principle of democracy. However, this freedom cannot be used against the vital interests of the Turkish state. TRT programs will be designed to entertain our people and broaden their sense of ethics and taste. A variety of channels will soon be aired, and we will be getting programs in color.

## National Defense

- The Turkish armed forces are our nation's greatest source of security. Keeping these forces at maximum strength and constantly improving them is a state policy that is here to stay.

## Foreign Policy

- Since we are a member of the free world and the Western alliance, we will be trying to further strengthen our power within NATO. We will also be conducting relations with the Common Market on reasonable terms in hopes of becoming full members.

## The Economy

- Under our mixed and market economy system, our goal is to have citizens' basic needs protected and looked after by the state. We favor a market economy based on free competition.

## State Economic Enterprise

- We are resolved to turn over to the people those State Economic Enterprises that have no economic reason for remaining state property. We will do this by using a realistic system. Our goal is to reduce the public sector share in the economy.

## Foreign Capital

- We intend to encourage foreign investments. We feel that foreign investments are important because they can help cover our deficits in domestic savings and foreign currency, and they can also bring modern technology and administrative techniques into our country.

## Agriculture and Land Reform

- We see land reform not as land distribution in the narrow sense, but as a single element of agricultural reform, which is an entire policy to achieve economic progress. Security of property will be maintained through orderly, productive procedures.

## Industry

- We accept the market economy system in industry as a dynamic factor in this period of preparation for entry into the Common Market.

## Mining

- We will see to it that efforts are made to use the latest technology for finding reserves as well as entirely new sources of minerals. We will be obliged to utilize outside resources particularly for oil exploration.

## Unionism

- Our goal is eliminate unemployment.
- It is our contention that democracy is reinforced by a strong union movement, wherein interests remain of uppermost importance, and where there are no foreign influences and no involvement in anti-government activity.

## Strikes and Lockouts

- We believe that methods must be designed for keeping strikes and lockouts from being used for other than good intentions. They must not be allowed to harm society and the workers themselves or to destroy national property.

## Youth and Sports

- One of our most important tasks is to protect and save our youth from alcohol, narcotics, gambling, crime and other bad habits.

The platform also contains the party's views on protecting health, the family, the consumer, orphans, the elderly and the infirmed.

12279

CS0: 3554/293

## AIR FORCE GETTING TWO ADDITIONAL PIPER PA-31-350 CHIEFTAINS

Helsinki HELSINGIN SANOMAT in Finnish 20 May 83 p 8

[Text] The Air Force is procuring two more Piper communications planes from Karair Oy. The government issued permission for the aircraft procurement on Thursday.

The planes to be procured are American two-engine Piper PA-31-350 Chieftain communications planes. It had already been decided earlier to procure four of these planes. In return Karair will purchase two used Cessnas from the Air Force.

Over 7 million markkas will go into the Piper procurement. The Pipers will replace obsolete DC-3 transports that are to be phased out.

In addition to communications missions, the all-weather Piper craft will make transport and search-and-rescue flights. They will also be used for surveillance and mapping missions.

The Piper PA-31-350 is equipped with two piston engines and the plane's operational range with a full load of passengers is about 800 km. The plane is capable of hauling about 800-900 kg of freight, has seats for eight passengers and flies at a speed of over 300 km an hour.

11,466

CSO: 3617/127

MILITARY

FINLAND

BRIEFS

NAVY ORDERS PATROL BOATS--The Finnish Navy has ordered three Helsinki class fast patrol boats of 280 tons each. As announced in the preceding issue of Episcopo, these ships will be fitted with 8 launchers each for RBS15 long-range antiship missiles. The patrol boats are to be constructed at the Wartsila yards. [Text] [Paris DEFENCE & ARMAMENT in English Apr 83 p 9]

CSO: 3600/20

## WEAPONS INDUSTRY IN FRANCE REVIEWED

Paris LES CAHIERS FRANCAIS in French No 201, 1980[?] pp 9-13

[Article by Michel Behar: "The Weapons Industry in France"]

[Text] Although, on the overall level, the impact of the weapons industry on the national economy remains limited,<sup>1</sup> its importance in the area of the state's economic strategy is manifest on several levels.

## Industrial Strategy

The weapons industry occupies a considerable place in the state's industrial policy on the levels of:

- technological research and development;
- the balance of foreign trade;
- territorial development;
- support and stabilization of regional economies.

Thus it is that the state's attitude toward the weapons industry has helped to give this industrial sector a relatively original structure, which has enabled it to put France in the No 3 spot among the world's exporters of weapons, with nearly 11 percent of the total market, after the United States (47 percent) and the USSR (27 percent).<sup>2</sup>

## Technological Research and Development

The weapons industries still benefit today from a research and development effort greater than that of the other branches of economic activity, with nearly one-third of the public financing and a fifth of the total research effort in France.

This situation has not prevented a steady reduction in the magnitude of the research and development expenditures for defense, the vital character of which in this sector is obvious (on the level of both competitiveness in exports and security in ensuring to the armed forces the means suited to the conditions of the new warfare). This share, which in 1965 was 41 percent of the Gross National Expenditure for Research and Development (DNBRD), fell to 19 percent in 1976. But the trend was reversed in 1978, and in 1979, the share for defense research and development was up to 22.8 percent.

Furthermore, while industry's commitment in the shouldering of these research expenditures had been decreasing until 1977, the trend reversed in 1978, since industry's participation, which had dropped to 32.1 percent in 1977, was up to 39 percent in 1978.

In addition, to consider the breakdown of research credits by sector, the biggest share went to electronics, followed by missiles and the nuclear field, with the smallest share going to aeronautics (cf Table 1).

#### 1. Breakdown of Research Credits by Sector in 1980

(Titles V and VI of the Budget)

|                                  |       |
|----------------------------------|-------|
| Electronics                      | 27.0% |
| Missiles                         | 21.8% |
| Nuclear                          | 20.0% |
| Land and naval materiel, weapons | 15.7% |
| Aeronautics                      | 15.5% |

#### 2. Evolution of "Weapons" Turnover

(before taxes, in billions of current francs)

|                            | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> | <u>1977</u> | <u>1978</u> |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Weapons (France)           | 12.7        | 14.9        | 15.8        | 17.5        | 19.5        | 21.1        | 24.0        |
| Weapons (export)           | <u>4.0</u>  | <u>5.2</u>  | <u>6.7</u>  | <u>8.3</u>  | <u>11.6</u> | <u>15.0</u> | <u>17.2</u> |
| Total                      | 16.7        | 20.1        | 22.5        | 25.8        | 31.1        | 36.1        | 41.2        |
| Exports                    | 24%         | 26%         | 30%         | 32%         | 37%         | 41%         | 41%         |
| Total for weapons industry |             |             |             |             |             |             |             |

#### French Weapons Exports

The share of exports in the total turnover of the weapons industry is growing steadily, as is shown by Table 2, to the point that a doubling occurred between 1972 and 1977. Is this the result of a specific export policy--and one whose impact would have been measured--or does it involve an uncontrolled orientation? On the answer to these questions depends the evaluation that will be made below of the weapons industry's degree of dependence on foreign customers. Whatever the case may be, the proportion of weapons exports to total exports is increasing. This expresses the growth of France's weapons trade with foreign customers, which, in billions of constant francs (base value: 1969), has increased twice as fast as foreign trade as a whole (cf Table 3).

France's exports of weapons stagnated in 1979, though. Although definitive conclusions cannot be drawn from this result, it would seem that it should be attributed to the fact that the industrialists are confronted with a twofold difficulty today: a certain settling of external demand, and a temporary absence of important, radically new weapons materiel to offer to the clientele.

3. France's Exports of Weapons  
(in billions of current francs)

|                               | <u>1970</u> | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> | <u>1977</u> | <u>1978</u> | <u>1979</u> |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total exports                 | 99.6        | 114.0       | 131.5       | 159.7       | 220.6       | 223.6       | 266.8       | 312.0       | 345.0       | 414.68      |
| Exports of weapons including: | 2.48        | 3.67        | 3.67        | 5.07        | 6.68        | 8.29        | 11.64       | 14.71       | 17.24       | 20.45       |
| Aeronautics and missiles      | (1.80)      | (2.10)      | (3.06)      | (3.86)      | (4.20)      | (5.0)       | (8.11)      | (9.0)       | (10.80)     | (12.12)     |
| Land weaponry                 | (0.40)      | (0.60)      | (0.50)      | (0.80)      | (1.30)      | (1.35)      | (2.45)      | (3.38)      | (3.91)      | (5.67)      |
| Naval weaponry                | (0.28)      | (0.09)      | (0.11)      | (0.41)      | (0.56)      | (0.84)      | (0.18)      | (0.86)      | (1.23)      | (0.54)      |
| Electronics                   |             |             |             |             | (0.62)      | (1.10)      | (0.90)      | (1.47)      | (1.30)      | (2.12)      |
| Weapons imports               |             | 0.5         | 0.7         | 0.9         | 1.5         | 1.7         | 2.1         | 1.5         | 1.6         | 2.0         |

Expressed in billions of constant francs (base value: 1969), these weapons exports--effective deliveries, not orders taken in--multiplied by 4.2 times between 1969 and 1979, while the total for all of France's exports grew by 2.3 times during the same period.

In other words, the increase in arms sales, in current francs, was twice as great, during the last decade, as that of France's international trade as a whole.

It appears that the French weapons industry, far from being affected by the economic crisis, has shown a certain dynamism in the export markets, since this growth has been accompanied by a geographic redeployment in relation to total French exports. Although it is difficult to obtain precise data on French exports, it can be estimated that France's "market shares" in the countries of the Near East, which account for more than half of its exports, are as follows: Egypt, 40 percent; Iraq, 38 percent; Saudi Arabia, 33 percent; Iran, 0.06%.

#### Weapons Industry and Territorial Development

It is essentially through the intermediary of the technical departments of the General Weapons Directorate and through the national companies that the Ministry of Defense and the DATAR [Delegation for Territorial Development and Regional Action] conduct a policy of decentralization of industrial weapons activities. Table 4 shows that the weapons industry in France is effectively distributed almost all of the territory, though the North and East regions are weakly represented, for obvious geopolitical and historical reasons.



#### 4. Geographic Distribution of the Industries

| <u>Regional Directorate<br/>of the SIAR*</u> | <u>Personnel in Weapons<br/>(outside the DGA* and the CEA*)</u> | <u>Percentage</u> |
|--|---|-------------------|
| Paris  | 92,000  | 45.5              |
| North  | 8,000   | 4.0               |
| West   | 26,000  | 12.9              |
| Southwest                                    | 35,000  | 17.3              |
| Southeast                                    | 32,000  | 15.9              |
| Center-East                                  | <u>9,000</u>  | <u>4.4</u>        |
| Total  | 202,000   | 100.0             |

\* SIAR: Department of Weapons-Industry Oversight

DGA: General Weapons Directorate

CEA: Atomic Energy Commission

One is nevertheless struck by the concentration that characterizes the Paris region.<sup>3</sup> This imbalance is explained by the state's weak influence on the private sector in the matter of decentralization. The private firms remain hostile to decentralization because of the preeminence of Paris as the center of administrative decision-making. This desire of the private industrialists for centralization in the Paris region is reinforced by the fact that the capital, the natural site of the embassies and the weapons expositions (Satory), remains a center of the first importance for negotiations with the development of exportation. This explains in part why certain attempts at decentralization of the state's technical services (for example, the installation of the CELAR [Weapons-Electronics Center] in Rennes) have scarcely been conclusive.<sup>4</sup>

#### Support for the Regional Economies

This absence of decentralization of the private-sector firms working in national defense has consequences on regional economic development and equilibrium.

In the first place, the state establishments--the arsenals and naval yards in particular--are localized in the underindustrialized regions (Brest, Tulle, Tarbes, for example) and have taken a predominant position in local industrial activity. Thus, it can be estimated that more than half of the population of Brest and its environs makes its living directly or indirectly through the presence of the naval yard.

Consequently, the stability of employment and the equilibrium of the regional economy depend essentially on these state establishments. But the demand of the domestic market (by the fact of the budget constraints) and the demand of the external markets (by the fact of the competition) fluctuate considerably. The effect of these fluctuations on the level of these industries' activity is notable and often poses problems of staff reduction or decrease in local employment opportunity.

The unfavorable consequences on the regional economies derive from the difficulty in finding local replacement industries, which would have to be created

from scratch, whereas the private firms have a know-how, an infrastructure in civilian activities, that simplify diversifications considerably--diversifications which, on the contrary, are practically impossible for the state establishments.

### The Industrial Structures

This relative power of the French weapons industry, both as a component of the state's economic strategy and as a sector that exports heavily, is explained in part by its particular structure.

We shall first describe, in an overall way, the industrial systems that make up this weapons industry; and then we shall analyze the behavior of the principal firms in this sector.

### The Weapons Systems

#### The "Navy" Industrial System

This is by far the most centralized industrial system for armament. The remote historical origin of the organization of military shipbuilding--the first manifestation of a certain specialization in the functions of military shipbuilding, under the direction of Etienne de Brandis, was around 1734--a kind of organization that has been perpetuated since then, partly explains the present structure.

In naval armament, five sectors must be distinguished, though:

- the building of warships, essentially assigned to the shipyards of the Technical Directorate for Naval Construction (DTCN);

- the naval-equipment sector (electromagnetic detection, submarine detection, signaling, etc), in which the Thomson-CSF [General Radio Co] company predominates;

- the naval-weapons sector (artillery, missiles, torpedos), in which there is a certain diversity of manufacturers. Thus, as regards missiles, manufacturing is concentrated [line illegible] torpedoes are the work of the DTCN (ECAN [Naval Arms and Construction Establishment], Saint-Tropez) with participation by the CIT [expansion unknown]-Alcatel Co (of the CGE [General Electricity Co] group). As regards naval artillery, it is still within the province of the DTCN (ECAN, Ruelle);

- the propulsion machinery sector is divided into, on the one hand, a nuclear-boilers sector developed and implemented by the CEA (Nuclear-Propulsion Department) and the DTCN, and on the other hand, the gas-turbine propulsion designed by Rolls-Royce, on a cooperative basis, for manufacture in France;

- the naval air sector (airplanes and helicopters), which is the province of the aeronautical industry (Avions Marcel Dassault and the SNIAS [National Industrial Aerospace Co]).

Despite the diversity of the production units, as regards both their corporate organization [line illegible] "Navy" remains centralized under the oversight and direction of the DTCN.

### The Industrial System for Land Weaponry

The setting-up of a structured organization for fabrication of weaponry for land forces goes back to the end of the 18th century, when the Forges Service was created by Gribeauval.

The present industrial system groups, at the state level, the GIAT (Land Armaments Industry Group), attached to the GIAT (Land-Armaments Technical Directorate), and, in the private sector, some modest-size firms (Luchaire, Panhard) or firms whose activity in weaponry is limited (Creusot-Loire, Renault, Saviem, Manurhin, Thomson-Brandt).

The land-weaponry system is semicentralized, because of the fact of the small size of the private production units in relation to the armaments industry.

### The Industrial System for Air Weaponry

We should cite first of all the DTCA (Technical Directorate for Aeronautical Construction), which does not have either any design or fabrication facilities but which represents the state vis-a-vis the aeronautical industry. The latter comprises two broad groups of builders: on the one hand, Aerospatiale and its subsidiaries, and on the other, the Avions Marcel Dassault group.

The decentralized character of the system is evident from the relative decision-making autonomy of the two groups, which extends even to definition of the "product" range. This characteristic will be explained in some detail and developed below in the study of the firms' strategy.

### The Strategies of Some Private Firms

For several years, the policy of the public authorities has been to push diversification in the civilian area for the firms that work in armament.<sup>5</sup> This industrial policy of the state's is dictated by the weakness of the domestic market constituted by the French armed forces and the ups and downs of export orders. The combined factors indeed present the risk of making too fragile the industries for which the military sector appears to represent a predominant part. But certain sizable private industrial groups seem to have adopted the opposite strategy and are strengthening their position in the military sector.

[line(s) missing] several concrete examples, how the policy of these firms is represented.

Two major categories of firms can be distinguished: those for whom the military sector is now predominant among their activities, and those for whom the military sector is a secondary element.

#### First Category: Military Sector Predominant

--In the electronics industry, the firms often work principally in armament. Thus, Thomson-CSF, with its subsidiaries, constitutes the No 1 French electronics firm. The military sector holds a predominant position, as is shown by Table 5.

Table 5. [line missing]  
(not including subsidiaries)

|                                   | <u>1974</u> | <u>1975</u> | <u>1976</u> | <u>1977</u> | <u>1978</u> |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Total before taxes                | 3.2 BF[*]   | 4.1 BF      | 5.2 BF      | 6.0 BF      | 6.955 BF    |
| Proportion for<br><u>weaponry</u> | 48%         | 57%         | 50%         | N/A         | 53%         |

[\*]: Billions of francs

6. Breakdown of Turnover of MATRA [\*]

|                                   | <u>1974</u> | <u>1975</u> | <u>1976</u> | <u>1977</u> | <u>1978</u> |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Total before taxes                | 845 MF[*]   | 1,064 MF    | 1,437 MF    | 1,765 MF    | 2,248 MF    |
| Percentage for<br><u>weaponry</u> | 46          | 52          | 56          | N/A         | 59          |
| including:                        |             |             |             |             |             |
| France                            | (28)        | (34)        | (28)        | N/A         | (27)        |
| Exports                           | (18)        | (18)        | (28)        | N/A         | (32)        |

[\*]: Mechanics, Aviation and Traction Co

7. Breakdown of Turnover of Dassault

|                | <u>1974</u> |          | <u>1975</u> |          | <u>1976</u> |          | <u>1977</u> |          | <u>1978</u> |          |
|----------------|-------------|----------|-------------|----------|-------------|----------|-------------|----------|-------------|----------|
|                | <u>MF</u>   | <u>%</u> | <u>MF</u>   | <u>%</u> | <u>MF</u>   | <u>%</u> | <u>MF</u>   | <u>%</u> | <u>MF</u>   | <u>%</u> |
| Exports:       |             |          |             |          |             |          |             |          |             |          |
| - Civilian     | 357         | 9.8      | 409         | 9.6      | 429         | 7.2      | --          | --       | 450*        | 7.1      |
| - Military     | 1,583       | 43.3     | 2,153       | 50.6     | 4,120       | 69.5     | --          | --       | 4,362       | 69.0     |
| France:        |             |          |             |          |             |          |             |          |             |          |
| - Civilian     | 522         | 14.3     | 360         | 8.4      | 111         | 1.9      | --          | --       | 120*        | 1.9      |
| - Military     | 1,193       | 32.6     | 1,336       | 31.4     | 1,267       | 21.4     | --          | --       | 1,390       | 22.0     |
| Total turnover | 3,655       | 100.0    | 4,258       | 100.0    | 5,927       | 100.0    | 5,696       | --       | 6,322       | 100.0    |

\* Estimate

For certain companies, the objective is to reduce the proportion of military activities. Thus, 60 percent of MATRA's activities are still military at present (cf Table 6). In fact, "nonguided aeronautical armament" constitutes one of the company's oldest production activities.

--In the mechanical industry, the private sector's share is smaller, for it contributes to the fabrication of land weaponry, and the state establishments play an important part. There are exceptions, though: Panhard, for example,

devotes all its weaponry activity to automatic machine guns, intended mainly for export.

--In the aeronautics sector, Avions Marcel Dassault-Breguet Aviation do more than 90 percent of their turnover in the military sector (cf Table 7).

#### Second Category: Military Sector Weak but Growing

--In January 1977, the CGE issued a public offer of exchange (OPE) to acquire a majority shareholding in the Sintra Electronics Co. At the conclusion of this operation, the capital share held by the CGE in that company went from 37 percent to 53 percent. On the basis of the military activities of CIT-Alcatel, the CGE is doing, thanks to the development of its military sector as a result of this purchase, an annual turnover of Fr 750 million--which remains a relatively minor activity in relation to the group's activities as a whole, to be sure, but nonetheless testifies to a desire to develop military activities.

--The same trend is found also in the automotive sector, in which firms such as Renault are actively developing ranges of military vehicles such as the VAB's [Forward-Area Armored Vehicles] and the tank-carriers. Citroen and Peugeot are now offering 4 X 4 cross-country vehicles for military use.

In view of the results achieved--notably, but not only, for export--the French weapons industry seems relatively dynamic. The multiplication of international crises makes one wonder, though, about this industry's vulnerability factors. Three main factors can be distinguished in this regard: two of an internal nature and one of an external nature.

--The first one has to do with the chronic difficulties encountered by the state's arsenals and naval yards, on both the social and economic levels. An economic brake should be pointed out: whereas modern armaments require increasingly sophisticated technology, the added value produced by the state establishments remains at a lower level than that of private industry of the same type.

--The second factor of vulnerability of the weapons industry lies in the extreme dependency of certain categories of weapons production on certain large firms that have a near-monopoly.<sup>6</sup> Herein lies a difficult [line missing] concentration of means and a supplier-diversification policy.

--Finally, the last factor--this being an external one--lies in the weapons industry's dependence on exports. But the political risk in these foreign markets is considerably higher than for civilian goods. A prolonged drop in export sales would have serious consequences in this industrial sector. The weight of exports has become such that they induce a relative vulnerability.

In conclusion, it can be said that despite everything, the French weapons industry has been capable, in recent years, of evolving to adapt to the new constraints, both military and economic.

#### FOOTNOTES

1. We mention that the "weapons acquisition" budget--the only one connected specifically with the weapons industry--represented, in 1978, only 1.4 percent of Gross Domestic Product and 7 percent of the state budget.
2. According to the evaluations by the SIPRI [Stockholm International Peace Research Institute], "Yearbook 1977."
3. Thus, for the weapons industry, 113,000 persons work in the Paris region, as against 167,000 in the provinces.
4. Since weapons systems call for increasingly sophisticated technology, the problem of the qualifications of the labor force arises. The necessity of a large number of technicians implies concentration near a large metropolitan area and constitutes an additional obstacle to decentralization.
5. G. Le Gall, "Weapons: Why France Should Export," USINE NOUVELLE, 27 January 1977.
6. Thus, for example:
  - a single company groups the "powders and explosives" activities;
  - in aeronautics, three companies employ 60 percent of the personnel;
  - in electronics, five companies employ 50 percent of the personnel, and so on.

11267

CSO: 8119/1406

MILITARY

GREECE

#### PURCHASE OF 40 MIRAGE AIRCRAFT REPORTEDLY PLANNED

Athens I AVGI in Greek 9 Jun 83 p 1

/Text/ Greece has already signed --or is about to do so within a few days-- an agreement with France for the purchase of 40 ultramodern "Mirage 2000" fighter aircraft. This information that comes from reliable sources in the EAV /Greek Aircraft Industry/ has not been confirmed.

Specifically, the sources reveal that the Greek-French agreement on EAV repair work on French ATAR engines manufactured by SNECMA /National Company for the Study and Construction of Aircraft Engines/ is in the "package" of compensating offers by France for the purchase of the "Mirage 2000."

The ATAR engines are used on "Mirage F-1" aircraft which have been supplied to the air forces of Iraq, Kuwait and Jordan. EAV had in the past sought to undertake the maintenance work on the ATAR engines belonging to the Arab countries but France had refused permission to the Tanagra installations. The day before yesterday's official communique on the Greek-French agreement on the issue of the undertaking of the maintenance work (overhauling) on the ATAR engines is considered a clear indication of a French concession in exchange for Greece's preference for the "Mirage 2000."

The sources emphasize that what is very significant is that EAV already has the capability for maintaining and repairing ATAR engines used on "Mirage F-1" aircraft of the Greek Air Force.

The fact that the French side has made a "concession" to permit EAV to undertake repair work on ATAR engines will result in enormous foreign exchange benefits, a fact that especially influences the decision to purchase the "Mirage 2000" over that of other aircraft competitors.

It is to be noted that candidates for the "purchase of the century" aircraft are, besides the French "Mirage 2000," the American "F-16" and "F-18", as well as the European (Italian-German-British) "Tornado."

5671

CSO: 3521/352

## VOLUNTEERS TO MAN NEW LEOPARD TANKS

## Five-Year Enlistment Required

Athens Elevtherotypia in Greek 4 Jun 83 p 1

[Article by Sp. Karatzaferis; passages enclosed in slantlines printed in bold-face]

[Text] Permanent personnel for the "Leopard 1" will be drawn from recruits willing to enlist for at least 5 years. The Ministry of National Defense will take 1000 recruits every year to man those tanks.

## Vulnerable

Deputy Minister of National Defense Antonis Drosoyiannis declared yesterday to the press that this solution was adopted because those new tanks are complex and vulnerable to handle, they are most expensive and changing their crews frequently often leads to damages which raise the maintenance costs excessively.

This solution - added Mr. Drosoyiannis - has been adopted by all the armies in the world which use high technology weapons.

The relevant draft bill, which is ready and will soon be put forward in the Chamber of Deputies for voting, will also regulate the pay scale of those permanent operators of the "Leopard 1".

/According to information we obtained, the pay of the permanent crews of the "Leopard 1" will be based on the salaries of the men of the Security Forces and of the career non-commissioned officers of the Army./

After taking delivery of the 110 "Leopard 1"s from Western Germany, it is likely that our country will also purchase the more modern American M60 tanks, which cost the same as the German ones but are considered the best in the world and, until recently, were not for sale by the Americans.

## ND Fears Expressed

Athens I KATHIMERINI in Greek 7 Jun 83 p 2

[Text] The "New Democracy" expresses its grave misgivings about the use of volunteers to man the new tanks equipped with electronic devices, because it has well founded suspicions that tools of the party will constitute the cadres of this corps, to carry out party instructions.



In a related announcement the ND stresses that publicizing the fact that those volunteers will be the judges of the dangers threatening the Deomocracy and will take the initiative to protect it, is incomprehensible. It emphasizes the fact that the Army must obey the legal government of the land and does not have the right to make decisions.

The announcement concludes that the "New Democracy" draws the government's attention and asks that objective and non-partisan criteria be laid down for the selection of the volunteers who will serve in this corps, as in the measure which had been drafted by previous governments. For the ND this constitutes a fundamental motive for opposing the arming of the party with tanks which, in the final analysis, will facilitate the course taken by the country toward a single party.

12278

CSO: 3554/340

MILITARY

GREECE

ALLEGED REACTIONARY ARMY OFFICERS

Athens KYRIAKATIKI ELEVTHEROTYPIA in Greek 29 May 83 p 1

[Text] Major insubordination has been uncovered in our Armed Forces - with consequences that are unknown so far. Reactionary commanding officers - of the three services - sabotage and literally ignore the efforts of the civilian and military authorities of the Ministry of National Defense for the improvement of the behavior of officers toward the drafted children of the people and the prevention of more suicides in barracks.

More precisely, about a month ago the Ministry of National Defense sent to all units a manual of directives requiring the officers to initiate a new - advisory, friendly, confidential - manner of communication with draftees, so as to become acquainted with their problems and be able to meet them without their well known crude, sarcastic and disdainful attitude.

Almost all the commanding officers who received the manual of directives ignored instructions to inform officers - both career and reserve - as well as the draftees. Instead, the commanding officers stamped the official document: "To be destroyed" (specifying also the date of destruction) and put it in in their drawers.

12278

CSO: 3554/340

## TURKISH ARMY MOVEMENTS REPORTED IN AEGEAN REGION

Athens I VRADYNI in Greek 1 Jun 83 pp 1,14

[Text] According to fully verified information, the escalation of Turkish activities in the Aegean as well as in Cyprus is giving the government a great deal of worry and serious doubts.

Those activities have culminated in the recent concentration of strong Turkish armed forces units in the region of Asia Minor, precisely opposite the Greek islands of the Aegean.

A cause for most grave doubts in Athens however, is the fact that the transfer of army units was done at a time which did not correspond with maneuvers of the Turkish armed forces. At any rate, from the Greek side, the situation is being controlled coolly and decisively.

Another occurrence, which also seriously preoccupies the Greek government, is that the Turkish airplanes of the naval cooperation which lately have been trespassing most frequently not only the aerial space of the FIR [Flight Information Region] of Athens but also on our national territory (that is inside the 10 nautical miles limit) are now escorted by Turkish fighter airplanes.

These activities are interpreted as acts aiming to emphasize the planned and intentional transgressions or trespasses as well as being intended as provocations.

12278

CSO: 3521/340

MILITARY

GREECE

#### BRITISH OFFICIAL'S VISIT RELATED TO 'TORNADO' PURCHASE

Athens TA NEA in Greek 17 May 83 p 18

[Text] The premier, Mr. Andreas Papandreou, yesterday received at Kastri, British deputy defense minister, Mr. Geoffrey Patten who is responsible for matters of defense procurement for his country. Mr. Patten is on an official three-day visit to Greece where he arrived Sunday. Present at the meeting were the ambassador of Great Britain in Athens, Mr. Rhodes and the director of the premier's diplomatic office, Mr. Khr. Makhairitsas.

#### Return Visit

According to an ASSOCIATED PRESS wire, Mr. Patten came to Athens, accompanied by assistants to return the visit made last September to London by deputy minister for National Defense, Mr. P. Zakolikos.

During their meeting Mr. Papandreou and Mr. Patten talked on subjects of mutual interest for defense as well as subjects of European security.

It is, however, certain that the talks involved the subject of the purchase of fighter aircraft for the needs of the Greek Air Force, in view of the fact that the British government is interested in pushing the sale of the "Tornado," built by the British-German-Italian "Panavia." The British deputy minister will today visit the EAV [Greek Aircraft Industry] installations.

As is known, the premier in a statement made last Saturday, said that the matter of the selection of the type or types of aircraft to be purchased for the Air Force is in its "final stage." He added that there are two criteria, in addition, of course to the capabilities of each type of aircraft: the cost and the avoidance of total dependence upon a supplier country, which are in opposition to each other because the selection of a single aircraft type means a lower cost by 500 million dollars from the selection of two types, however, "if one chooses only one type, dependence is total."

9731

CSO: 3521/328

## GREEK-MADE 'ARTEMIS' ANTI-AIRCRAFT SYSTEM DESCRIBED

Athens ETHNOS in Greek 19 May 83 p 17

[Text] "There is no possibility for any hostile aircraft formation, attempting an attack on vital targets in the territorial area of Greece in a surprise assault, to go undetected."

This conviction was expressed by deputy minister for National Defense, Mr. Drosogiannis, during yesterday's spectacular demonstration of the anti-aircraft weapons system "Artemis 30" that took place at a test field in Alepokhori.

In essence, this system is designed to destroy high-speed hostile aircraft, which in exceptional situations may reach the nearer limits of their targets.

In such a situation, a coordinated barrage of high-explosive projectiles will shatter them with mathematical accuracy before they are able to begin their destroying mission.

This was demonstrated clearly during yesterday's demonstration of the "Artemis 30" anti-aircraft system, that is to say, that the defense of Greek territory is now ensured in spherical dimensions. Basically, the annihilation of the attacking, hostile aircraft is based on a fast process cooperation of guns, aircraft interception radar, infrared rays and other electronic locating devices which, while they scan the horizon continuously, can, at the same time, direct with extreme accuracy, destroying projectiles towards their targets.

## Roar

A muffled roar shook the entire area of the test field as the long-barrelled anti-aircraft guns began to fire thick and fast against supposed enemy aircraft (towed wind socks) that had penetrated areas of military installations.

The neutralization of the hostile formation was drawn descriptively on the radar screen where certain coded ciphers foretold the degree of the effects of destruction.

In reality, these showings on the radar screen indicated, in a most realistic way, that the Greek air defense is unapproachable by any invader who may consider approaching targets on Greek soil. As explained by the president of EVO

[Greek Arms Industry], Mr. Vikendios Arsenis, the "Artemis 30" anti-aircraft system is clearly the work of "Greek hands," technologists, technicians and officers of the Armed Forces, who, in close cooperation for more than two years, succeeded in ensuring the defense of Greek skies.

Mr. Arsenis also made reference to the low cost of the new system and to the plans for designing other arms systems with Greek brains, as he said, with renowned scientific credentials.

More specifically the "Artemis 30" system consists of a gun carriage with two twin, long-range guns; of one wide-scope search radar [AI] to transmit data; and by another single-pulse radar [FC] to direct the projectiles to their targets.

It also consists of a laser apparatus for accurate computing of the range and course of the enemy aircraft in addition to another electronic system of automatic tracking of the flying target's behavior.

#### Mobile

All these units, which form the unified "Artemis 30" system, are mobile and can easily be transported, without delay, to commanding points by special military vehicles. It must be pointed out that yesterday's destruction of airborne targets during the demonstration were caused by a single, self-contained, anti-aircraft group protecting the entire area.

As the Chief of GEETHA [National Defense General Staff], Admiral Degiannis emphatically stated the echeloning of a wider network of such a system in our country, will surely constitute the basic element for dissuasion of any irrational act by a likely enemy.

The demonstration was also observed by the deputy minister for National Defense, Mr. Zakolikos; the Chief of GEN [Naval General Staff], Vice Admiral Pappas; the First Deputy Chief of GES [Army General Staff], Lt. Gen. Kalantiridis; high ranking Staff officers of the three Services; military experts and others.

9731

CSO: 3521/328

## BRIEFS

FIVE-YEAR ARMY 'VOLUNTEERS'--PASOK has announced the engagement of "5-year volunteers" who will be assigned to all the special forces of the army (battle tank units, attack units, marines, etc.) The above was announced yesterday by Deputy Minister of National Defense A. Drosogiannis who also dismissed published reports that the engagement of volunteers was decided on so that they would become party organs in select military units. With regard to this matter, the military editor of AKROPOLIS writes the following: The 5-year volunteers will be used not only in battle tank units but in other specialties, such as operators of self-propelled artillery, radar and communications and possible in special forces. Deputy Minister of National Defense Drosogiannis who announced the ministry's intention to use the volunteers in other specialties dismissed the allegations that they are to serve party purposes. Moreover, Mr Drosogiannis said, only one volunteer will serve on the battle tank's crew. In other words, about 100 volunteers will be used. And it is known that the battle tanks have as their headquarters units along the frontiers. /Text/ /Athens AKROPOLIS in Greek 11 Jun 83 p 10/ 5671

CSO: 3521/352

## UNDERSECRETARY FOR DEFENSE DISCUSSES PROCUREMENT PLANS

Paris DEFENCE &amp; ARMAMENT in English Apr 83 p 58

[Text]

**Mr Oddmund H. Hammerstad is Norway's State Secretary (Undersecretary) for Defence.**

**D&A :** One of the major aspects of Norway's surface-to-air missile buy will be industrial offsets. What has each manufacturer proposed in this respect ?

**OH :** We have signed MoUs with all the countries involved. We have an industrial MoU with France, with Germany, with Britain and with the United States. Consequently, if we were not able to find 100 percent offsets for such a buy, in the long run the balance will be taken care of by the general MoUs, which specify that in the long run we should have a balance in selling and buying from each other. For the concrete proposals, Roland and Rapier have presented the best proposals: they guarantee a 50 percent offset, while with I-Hawk it is only 25 percent, but over a smaller amount of money because we will rent part of that system.

**D&A :** How many systems will Norway buy, and for what cost?

**OH :** To be able to cover six airfields—and that is our goal here—we plan to spend a maximum of 1.5 billion Nkr. The Defence Research Institute has evaluated each system within this basic criteria, on the basis of a full deployment for each system on each airfield: 8 fire units for Roland and Rapier. But this would be very expensive, and they have also studied alternatives going down to 5 units for each base. The conclusions have been accepted by the Chief of Defence and the Air Force, and there is a consensus around our proposal, and so presenting our choice to the Government is an easy task for us. We have also evaluated the industrial offsets, and we hope that Parliament will agree with us. But that will be the issue for Parliament.

**D&A :** The requirement, initially for a point-defence system, was changed to area defence last summer. Why?

**OH :** The Chief of Defence did alter the requirement, but he never let go of the requirement for a short-range air defence system. If we were to go for I-Hawk, then we would have to realize that we would not have solved the SHORAD requirement, and we would still have to work on that. But we would then go for a system that can cover airfields, vessels at sea, fortresses along the coast, army units; in short, we would try to standardise around a single system for all these missions, like the Swedish RB-70, the French Mistral or the Stinger-POST.

**D&A :** Yes, but what prompted the Chief of Defence to change the operational requirement?

**OH :** The Chief of Defence considered that his task was not only to defend the air fields, but also to defend other military concentrations, like the naval base at Harstad, our standing brigade in the Troms area, etc. He thus decided to go for a longer-range system which would cover all these other potential targets.

**D&A :** But isn't this the air-defence mission of your F-16s?

**OH :** The F-16s would also have to play an important role in defence against an amphibious attack, and we could not rely on using all our F-16s in the air-defence role.

**D&A :** Norway and Sweden have reportedly signed an agreement on exchanges and cooperation in the weapons field. What are its provisions?

**OH :** In fact, we did not succeed in this, but we have raised the question again, and have prepared our draft proposal in a quite different manner. We have now offered to the Swedes that we should cooperate on the R&D phase of



new weapons. If this was done, with coproduction and with acquisition of the same weapons, the balance would be reached in the long run. We have told them that if they cannot go for a one-to-one balance in the long run, there will be no agreement, and we will have to go to our allies for the weapons we need.

**D&A :** What agreements have you concluded with France?

**OH :** I must say that the MoU we have concluded with France is an example of what such agreements should be. First and foremost, it gives this balance that we are looking for; it is a challenge to industry, both in France and in Norway, to cooperate on a high technology level, and to share their responsibilities in such a cooperation. The French are very eager to follow up on that MoU, and we are very happy with this.

**D&A :** In what areas do you plan to cooperate with France?

**OH :** In the field of radars, for example, France is in the forefront technologically; in the field of missiles they are very good, as in artillery, kinetic-energy ammunition etc. We are also looking at French minesweepers and minehunters. France has shown great interest in our ammunition for 12.7 mm machine guns, and has signed an agreement to buy large quantities of it. As for the rest, we do not have complete weapons systems to offer, but rather subsystems and components.

**D&A :** How satisfied is Norway with the industrial offsets received from the United States for the F-16 contract?

**OH :** We are not happy with what we have received, but we should not only blame the Americans. I think if Norwegian industry had been more clever in cooperating and preparing itself for this huge project, we could have taken a larger share of production. So, we're not blaming the United States, but we're not satisfied all the same.

**D&A :** Are you planning to procure more F-16s, for replacement of attrition losses, for example?

**OH :** We are now studying whether we have money enough in our long-term planning to do

that. We know that, in the future, we will have to buy additional aircraft, but other alternatives exist: we could buy used F-16s, and refurbish them ourselves, or we could have a combination of types. We have kept a squadron of F-5As, but we will have to replace them at the end of the decade, then we will have to buy new aircraft in any case, but they could be less advanced fighters.

**D&A :** But this does not solve the problem of replacing attrition losses.

**OH :** We have formed a working group within the Air Force Materiel Command, and it will discuss the options in the United States. It remains to be seen what the Americans can come up with for us.

**D&A :** What are your next major weapons procurement programmes?

**OH :** After the F-16s and the submarines, then of course the air-defence system, not only of the air bases but also the other services. Then we have the need to strengthen our Army brigades, adding to their fire-power and mobility by buying « off-the-shelf » more anti-armour weapons, more personnel carriers, more tanks, and more artillery over the next five years.

We also have an ongoing programme to modernise our Coastal Artillery, and to buy new MCM vessels; we are now studying whether we should go for minesweepers or minehunters. We want to modernise our radar network, and we must buy a vast amount of trucks, up to 3 billion Nkr's worth, for which we are negotiating with Daimler-Benz. We have already bought some 450, but our requirement is for up to 3,000 vehicles.

**D&A :** What about the new transport helicopter?

**OH :** The UH-1B we now have should be replaced, and we are now discussing whether we should buy a small number of Super Puma, to which would be added all the civilian Super Pumas in wartime, giving us a high degree of standardisation, or whether we should buy a higher number of cheaper helicopters, like the UH-1H. On a "where is, as is" basis, we could buy 20 to 30 UH-1Hs, and renovate them, for the same price as 6 or 7 Super Pumas. ■

## PRODUCTION, PLANS, GOALS OF ARMS INDUSTRY REVIEWED

## Arms Exports

Lisbon O JORNAL in Portuguese 20 May 83 p 26

[Excerpts] The United States is the world's largest arms producer, supplying about half of all the arms sold throughout the world. The Soviet Union is the second largest producer and exporter of arms. Third World countries which are at war or preparing for war are the biggest purchasers.

With its arms industry left over from the colonial wars, Portugal produces more than enough to meet its own requirements, and it is striving to get a piece of the international action dominated by the big powers. Although minimal, our share has now reached 6 million contos.

## Secret Destination

Precisely where that 6 million contos worth of arms went last year is known to the EMGFA [General Staff of the Armed Forces], but it is a "military secret." On that subject, one of our sources commented: "No government likes to have it said that it is out buying arms."

And at INDEP (National Defense Industries)--the country's chief producer and exporter--we were told by the firm's marketing director, engineer Rui Cavaco, that "in some contracts for supplying arms and ammunition, there are restrictive clauses imposing maximum secrecy on us."

In the intermediate sector involved in sales, the Northern Importing Company, owned by the Zoio family, is the largest arms exporter. There we encountered the greatest barrier of silence concerning the destination of arms shipped out of Portugal by that firm.

Engineer Rui Cavaco admits, however, without breaking the seal of secrecy or revealing anything surprising, that after Africa, our favored market is Asia, where, despite the higher transportation costs due to the great distance involved, "we still have a competitive product, especially from the standpoint of quality."

But it is possible to learn more or less what those 6 million contos bought. Over 4 million contos went for rifles and ammunition, 600,000 contos went for explosives, and 500,000 contos were spent on bombs for aircraft.

INDEP controls over 80 percent of the arms export market through production at its ordnance plants in Braco de Prata and Moscavide, which manufacture primarily FBP machineguns, G3 rifles, mortars, and the related ammunition. COMETNA [National Metallurgical Company] produces bombs for aircraft, and the SPE (Portuguese Explosives Company) produces explosives.

And in the private sector, there are EXTRA (Trafaria Explosives) and the Oeiras Foundry, which also produce ordnance, and CENTREL, which produces radio and telecommunications systems for military use.

#### Political Factor

The guarantee that this war materiel worth 6 million contos actually reached its destination without being diverted on the way is not only a "question of honor": it is the object of formal declarations by the governments of the countries concerned.

Every transaction requires that the official organizations in the purchasing country issue a "certificate of final destination." In addition, sales authorization is examined on a "case-by-case" basis by the EMGFA through its Armament Department. One source assured us that in the EMGFA, "there has always been the feeling of dealing with serious people." If a diversion of arms is reported, the mechanism for investigation and determination of responsibility is set in motion through the Judicial Police.

Is it possible that weapons sold to a particular country may in fact be intended for another country? That is one of the questions we asked. We were told that there is no official knowledge of any irregularities as to the final destination of the arms. What officials learn, "they learn from the newspapers."

#### Advances Made

Lisbon O JORNAL in Portuguese 20 May 83 p 26

[Article by A.C.]

[Excerpts] Shooting in the dark and hitting one's target when confronted by an adversary in the dark and in a dense fog is no longer something seen only in James Bond movies. It is within the reach of modern armies.

In Lisbon, INDEP's Research and Development Office has been working with the LNETI for months to come up with a night vision weapon "made in Portugal."

#### Gun Barrel Straightener

The successes or possible failures recorded to date remain a secret among the researchers, but for INDEP's part, engineer Ferreira da Silva--a former general

who was trained in weapons engineering and who heads the Research Department--is optimistic: "What we are doing is making a qualitative leap: we are passing from 'mechanics' to 'lasers,' and that represents a challenge and, at the same time, a tremendous responsibility."

In a section of the arms and ammunition plant in Moscavide, four researchers--three weapons engineers and one mechanical engineer--have succeeded with help from the LNETI in producing a machine for straightening gun barrels. It is now in the final stage of completion, and it is unique in the world.

Engineer Ferreira da Silva told us: "Until now, the barrels of weapons have always been straightened by a manual process. Anyone who deals with the manufacture of rifles realizes the progress represented by a machine capable of detecting warps and correcting them." The first prototype has cost about 2,000 contos, and it still "needs to be given a more pleasing visual design in order to tempt the export market."

The invention has come at a good time: workers skilled in barrel straightening--a difficult task requiring sharp vision and good dexterity with one's hands--are growing scarce, and there are no volunteers to replace them in a "job that ruins your eyesight and your back."

#### "New Generation" Fuzes

Another joint project between INDEP and the LNETI concerns the optimization of a number of systems for detonating grenades.

Modern fuzes, designated "new generation," are a sophisticated product of the technological advances introduced into the military industry. Roughly, we can say that this is a fuze designed "always to hit its target." One researcher commented: "It almost pursues the target; all one has to do is give it the coordinates and turn it loose."

In detail, the operation of the fuze takes us into a tiny world of precision engineering placed at the service of these "engines of destruction."

Like fuzes, mortars will also have a greater range thanks to the technical innovations introduced in their case.

As regards gunpowder, which is one of the chief products of our old arms factories, we were told that "Moscavide is making progress."

The research sector working on behalf of Portugal's military industry is still in its infancy, but it finds encouragement in knowing that "it is a leading sector in the country's industrial development."

Although modest, Portuguese research now has its eyes set on the laser, which will change the method of hitting one's target and which has already given the British the chance to continue calling the Malvinas Islands the Falklands.

## Purchases, Future Plans

Lisbon O JORNAL in Portuguese 20 May 83 pp 24-25

[Interview with Col Themudo Barata, chairman of National Defense Industries; date and place not specified]

[Excerpt] O JORNAL: Is INDEP's arms production adequate for meeting the country's needs?

Col Themudo Barata: The fact that INDEP has been exporting over 90 percent of its production clearly indicates that as regards the items it produces, its capacity is definitely more than adequate as far as the peacetime requirements of our Armed Forces are concerned. On the other hand, its product range, which in the recent past could be regarded as adapted to the chief operational requirements of guerrilla-type combat, is naturally inadequate now for armed forces designed to engage in conventional operations. In the field of artillery ammunition, for example, it will have to face up to the production of larger calibers and also medium calibers (antiaircraft and antitank ammunition), and it is doing so. But all of that requires investment, and the limited funds that are available will also have to be used to modernize equipment for our present production. Most of that equipment is over 20 years old, and some of it dates back 50 years or more.

### Who Buys

Question: Where does most of the exported surplus production go?

Answer: We export to a great variety of countries on all the continents, excluding only Oceania. As is known, the region that imports the most armament consists of the Arab petroleum-producing countries in the Middle East. And naturally, that is where our main exports go.

Another important market is Southeast Asia.

The countries of black Africa and the Americas are also markets to which we export or have exported.

As a rule, the NATO countries have military industries that are considerably more developed than ours. But this does not prevent us from also filling a few small export orders from that area. Decades ago, NATO countries (the United States and the FRG) were the chief markets for the two former military plants, and they even made it possible to start up and develop certain products.

### Expansion Plans

Question: Is INDEP making an effort to introduce new technologies?

Answer: That question can be understood at several levels.

In the field of new products, in addition to our own work, we are cooperating with other firms or government research organizations to develop programs aimed

at designing and then producing items involving new technologies. Examples are optronics (night vision equipment and laser rangefinders), new-generation fuzes, and so on. INDEP is also developing projects in the chemical area to reactivate the production of gunpowder. This technology has been gradually dying out among us since the old and prestigious Chelas plant was closed.

We are also trying to modernize our equipment through the growing use of numerical control equipment. In the area of management, we are developing a vast and quite advanced data processing program for real-time data collection, production planning control, and so on.

Question: Is INDEP thinking of manufacturing any new products outside the defense industry?

Answer: Yes, and that objective, incidentally, is part of its activity plan.

There is already some minor production of items for nonmilitary use.

For a long time we have been producing gunpowder for hunting (a few thousand contos worth per year) and occasional metal engineering products, and we also provide laboratory services for a number of private firms.

The value of that work totaled about 20,000 contos in 1982.

Question: It is known that INDEP has been trying to acquire shares in the Trafaria Explosives Company. And INDEP also owns a majority of shares in the other explosives company, the SPE. Does INDEP intend to coordinate the activities of those two explosives companies?

Answer: The idea of coordinating the activities of the two companies goes back many years, and I think it is understood by the officials of both firms. Most of the shares in Trafaria Explosives are held by the Portuguese Financial Company. There have in fact been exchanges of views in that connection, and INDEP's relations with the Portuguese Financial Company are excellent. One very obvious proof of that is the fact that the latter continues to handle almost all of our foreign transactions. Since high financial costs are involved, however, it has not been easy to find a solution.

Who Produces and Who Exports

Question: Are there other organizations in Portugal--either state owned or private--that are authorized to produce or export arms?

Answer: In the public sector, there are currently no organizations other than INDEP that are authorized to produce arms and ammunition, but it should not be forgotten that there are two large military manufacturing establishments (the Alfeite Arsenal and the General Aeronautical Materiel Shops), whose production in their fields is significant. Some of it is produced for export. In the private sector, in addition to firms which, along with their civilian production, also produce military items in the field of arms and ammunition and related

products (this applies, for example, to the two explosives firms already mentioned as well as to COMETNA and the Oeiras Foundry), there are commercial firms which sometimes obtain orders from abroad, and after obtaining legal authorization, they proceed with the necessary acquisition and export.

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